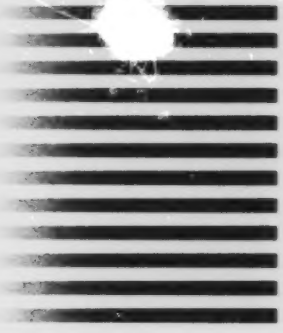
Building Partnerships:
Television in Transition

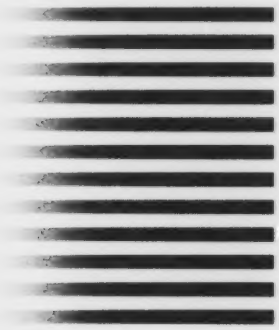


Reports produced following the Television Industry Summit of December 1991

Communications Canada

Canada

Building Partnerships:
Television in Transition



Reports produced following the Television Industry Summit of December 1991

93-01434/

The views expressed in these reports do not necessarily reflect those of the Government of Canada.

Publié également en français.

Additional copies are available from the Department of Communications.

© Minister of Supply and Services Canada 1992
Cat. No. Co 22-121/1992 E
ISBN 0-662-20087-X

Think recycling

Table of Contents

1 Preface by The Honourable Perrin Beatty, Minister of Communications

3 Television Industry Summit, Montreal, Quebec, December 9-10, 1991

5 Summation presented at the end of Day One:
Mr. Paul Racine, Assistant Deputy Minister, Communications Policy, Department of Communications

11 Statement on the moratorium: The Honourable Perrin Beatty

15 Report on the findings of the Working Groups on the framework for an industrial strategy:
Professor André Caron, Director of the Centre for Youth and Media Studies, Université de Montréal

21 Summation presented at the end of Day Two:
Professor André Caron

23 Closing remarks: The Honourable Perrin Beatty

25 Members of the Steering Committee

29 Working Group Reports and Related Documents

31 Report on the structure of the distribution system in the new environment

45 Response by the Canadian Association of Broadcasters (CAB) concerning the structure of the distribution system in the new environment

53 Discussion document used by the Working Group examining cable-broadcasting synergies and new services

61 Report by pay-TV, pay-per-view and specialty services concerning cable-broadcasting synergies and new services

67 Report on broadcasters and individual identity

79 Report on incentives for Canadian independent television production

89 Report on access by pay-TV to Telefilm Canada funding

97 Report on marketing and advertising

111 Report on international services

125 Report on non-simultaneous substitution

133 Appendices

135 List of delegates at the December 1991 Summit

139 List of observers at the December 1991 Summit

Preface by The Honourable Perrin Beatty Minister of Communications

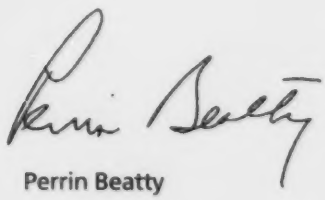
It is with great pleasure that I present this compilation of documents. They are the result of discussions which took place over the last few months between all major players of the broadcasting industry.

One of the significant achievements of the December 1991 Television Industry Summit was to bring together all the partners in this complex industry that is television. For those who participated in the summit, or even watched its deliberations on television, it became obvious that a new spirit of co-operation emerged as the discussion moved from immediate concerns about the survival of the industry to the question of how to respond to the challenges of the future.

Based on the consensus that emerged from these discussions, I asked the Steering Committee to follow up on the ideas that were put forward at the summit. I am pleased to see the results of the industry's efforts as reflected in the reports which are being made available through this document.

All the participants in this exercise recognize that the development of an industrial strategy is an evolutionary process. Proposals contained in these reports can serve as dynamic tools in the development and strengthening of our broadcasting system at a time when it is facing increasing competition. Although an industry consensus did not emerge on all the issues examined, many interesting solutions have been put forward.

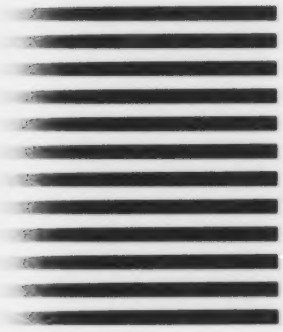
I am pleased to see that the various sectors of the industry are committed to continue working together to find common ground that will respond to the many challenges broadcasting faces in the years ahead. I am more convinced than ever that the continued success and growth of the Canadian broadcasting system lies in our ability to strengthen partnerships in this period of transition for television.



Perrin Beatty

Television Industry Summit

Montreal, Quebec
December 9-10, 1991



Summation presented by Mr. Paul Racine, Assistant Deputy Minister, Communications Policy, Department of Communications

December 9, 1991

I am going to try to be brief because we have all had a long day.

As we know, the Girard-Peters Task Force in July 1990 was entrusted with the task of examining the underlying financial structure of the Canadian television system with a view to making recommendations that would ensure the ongoing strength and dynamism of both public and private Canadian broadcasters. This challenge was made after our broadcasting system had undergone rapid evolution over the course of a decade.

Only seven years earlier — and reference was made to this during today's discussion — in 1983, broadcasters were concerned about the growing presence of American specialty services in our broadcasting system and, on the Francophone side, about an increasing transfer of audience toward English-language stations. Studies at the time showed that this transfer had begun in 1978.

The *Comité de coordination de l'Entente de concertation et d'harmonisation Canada-Québec sur le développement de la radio et de la télévision francophones* had suggested that there be an increase in the number of French-language specialty services, with the goal of overcoming the erosion of the Francophone audience to English-language services. Around this time, the Canadian Radio-Television and Telecommunications Commission (CRTC), therefore, issued licences to a whole range of Canadian specialty services, both English-language and French-language. The respective approaches to implementing these services recognized the particularities of the French-language market. Besides, in order to assist conventional broadcasters to compete with American stations, the Government had already established the Canadian Broadcast Program Development Fund, the annual budget of which increased from $51 million in 1983 to more than $76 million in 1991.

In this evolving context, the Summit Steering Committee distinguished two types of problems arising from the analyses and recommendations of the Girard-Peters Task Force. First, of course, there are immediate problems, which are related to the economic situation, to the regulatory environment, to the formulation of departmental policies or to the management of advertising inventories by broadcasters themselves. However, there are also the long-term problems of a structural nature, which cannot be dealt with expeditiously in the short term, but only in the context of an overall strategy.

The Girard-Peters Task Force had recognized that short-term measures alone could not correct the situation. Two of its main recommendations suggested the holding of this very Summit in order to develop a long-term industrial strategy. The Minister of Communications endorsed this idea, and that is why we are here today.

Today, we have first focused our attention on the short term, while long-term recommendations have also been the object of discussion. The Girard-Peters Task Force made 44 recommendations. The Steering Committee and the Working Groups concluded that 13 of these 44 recommendations could be considered only as part of the development of a long-term strategy, a strategy, which, besides, would not necessarily need to be limited to the Girard-Peters recommendations.

During the course of today's meetings, we began to discuss this long-term strategy. We discussed Canadian Broadcasting Corporation (CBC) financing and the financing of specialty services. We spoke about Canadian programming and the central role that it must play within a strategy in order to meet American competition. We spoke also of the possible impact of certain fiscal measures on the production of Canadian programs.

The rapporteur of tomorrow's discussion, Professor Caron, has made careful note of the comments expressed today on these long-term recommendations, and he is going to take them into account in his presentation tomorrow morning. For my part, I shall speak about the results that have been obtained concerning the other 31 short-term recommendations.

The 31 short-term recommendations have all been dealt with by the Steering Committee and the Working Groups and have been discussed today. Moreover, the Parallel Francophone Committee suggested a new recommendation, which brought the total number of recommendations studied to 32.

Clearly, the Girard-Peters Task Force has struck a chord. Rather than being left on the shelf, its report has sparked the development of a long-term strategy, which we will hear more about tomorrow. But allow me to take a few minutes to review the results that have been achieved so far.

Nine short-term recommendations were directed to Telefilm, and decisions have been taken on all nine. Seven are already being acted upon, while two affect the Memorandum of Understanding (MOU) governing the fund and, as such, require further consideration.

Telefilm has taken immediate action on seven recommendations. For instance, Telefilm has agreed to establish different objectives and policies for each of the French-language and English-language markets, to provide more flexibility for licence fee requirements or for equity participation.

It has also undertaken to establish a formal consultation process to ensure that its rules and standards respect industry practices as much as possible.

The recommendation that pay-TV have access to the Feature Film Fund affects the MOU. For its part, Telefilm has indicated its willingness to chair a working group made up of representatives of the Canadian Association of Broadcasters (CAB), the Association canadienne de la radio et de la télévision de langue française (ACRTF), the CBC, pay-TV, specialty services and independent producers to consider alternatives whereby pay-TV could access Telefilm funding. The task force will report to the Minister by the end of February of next year.

Another recommendation that concerns the Memorandum of Understanding is the one designed to guarantee a 60 per cent /40 per cent sharing of the Broadcast Fund between the English- and French-language markets. On this point, I must underline that the existing MOU is a flexible instrument, which, over the years, has already permitted adjustment to the allocation of funds to meet the needs of the Francophone market. For example, the share allocated to French-language production increased from 33 per cent to 37 per cent between the years 1983 and 1989, without any real amendment to the MOU. The flexibility remains in order that the percentage allocated to the French language may be revised upwards.

While this recommendation is addressed to Telefilm in particular, the Government all the same has a responsibility for any matter related to the Memorandum of Understanding. The two parties review it regularly. The next revisions, therefore, will be made in the light of the Girard-Peters and Parallel Francophone Committee recommendations, with the objective of ensuring a constant level of allocation of funds. In any case, Telefilm indicated this afternoon that it is prepared to live with an objective of 60 per cent /40 per cent provided that a certain flexibility is maintained in the objectives and mechanisms.

Six recommendations were specifically addressed to the Canadian Radio-television and Telecommunications Commission (CRTC). From its response to these recommendations, it appears that the CRTC is taking action related to all six.

On the matter of debt related to acquisitions and mergers, the Commission will continue to examine each application to assure itself that the cost of debt will not detract from programming obligations. Mr. Spicer has indicated this afternoon that the review related to the benefits resulting from mergers and acquisitions would be an open process. We have also heard voices this afternoon asking for a simplification of the regulatory process.

The Commission is already in the process of soliciting comments on a proposed amendment to its regulations to permit unlimited promotion of Canadian programs. It will continue to recognize funds spent by broadcasters for Canadian program development, including seed money, in the calculation of Canadian programming expenditures.

The Commission has indicated that it is sensitive to the economic problems facing broadcasters and that it will continue to be responsive to applications from broadcasters to amend their obligations based on changed circumstances, as it has already done.

Two recommendations dealt with specialty services. Indeed, the Commission intends to maintain its policies related to restricting specialty services to national advertising and will review carefully at licence-renewal time the funding requirements of specialty services on a case-by-case basis.

Another five short-term recommendations were directed to the broadcasting industry itself. Three dealt with advertising and marketing practices and the need for a national marketing strategy for television. The industry has addressed all three recommendations by endorsing a strategy developed by the Television Marketing Bureau to assist Canadian television in maximizing its potential as a vital advertising medium.

The Minister has also indicated that he intends to offer the Television Marketing Bureau financial support similar to what is already being extended to Advanced Broadcasting Systems of Canada (ABSOC). Of course, we would see to it that some of this financial aid go to assist in a better study and understanding of the Montreal market, following a suggestion that was made.

In response to a further recommendation, broadcasters will seek to maximize simultaneous substitution. Furthermore, a joint working group with representatives from the CAB, the Canadian Cable Television Association (CCTA) and the Association des câblodistributeurs du Québec (ACQ) is developing a proposal on non-simultaneous substitution, which should be ready in February 1992.

The recommendation on co-operative buying of programs was also considered, but ultimately was set aside as impractical by both the Working Group on Programming and Financing and the Parallel Francophone Committee. In spite of that, many intervenors requested that this recommendation be revisited. We took note of these requests and, following the summit, depending on the kind of mechanism that would be put in place, we commit ourselves to perhaps giving another chance to this proposal.

In addition to dealing with the Girard-Peters recommendations addressed to industry, the Parallel Francophone Committee recommended on behalf of Quebec broadcasters that the Government of Quebec review its legislation concerning advertising directed at children. Francophone industry representatives signified their intention to make their views to this effect known to the provincial government. Officials of the Canada Department of Communications will transmit this recommendation to their Quebec colleagues during the next meeting of the *Comité de coordination de l'Entente de concertation et d'harmonisation Canada-Québec sur le développement de la radio et de la télévision francophones*, which must meet in a few weeks.

In all, eleven short-term recommendations were addressed, in whole or in part, to the federal government. As the Minister has already indicated today, action will be taken on all of these.

This Summit is the direct result of two of Girard-Peters' recommendations. The Minister made this point briefly in his comments today, but it bears repeating that this Summit is perhaps the most important outcome of the Girard-Peters report. This is the first time that the Government of Canada and its related agencies, broadcasters, producers, pay and specialty broadcasters, the cable television industry and other distributors have all sat down together to discuss common problems and joint action. Whatever the outcome of tomorrow's discussion, it will help set the future course for Canadian television.

Consistent with an additional two recommendations, the new ***Broadcasting Act*** was proclaimed on June 4. The Government has taken action to inform Canadians of the new anti-piracy provisions and to prevent the spread of unauthorized decoding.

The Government has reaffirmed its commitment to provide for an ephemeral recording exception in the next round of copyright revision. This is Copyright Revision Phase 2, which is now well under way. Although laws are not made overnight, and retroactivity runs against the tradition of Canadian law-making, the Government should be able to clarify its position shortly.

In addition, as recommended, the Government has acknowledged the flexibility of the Memorandum of Understanding as the appropriate instrument to govern the Broadcast Fund and will maintain this approach.

Working together, industry and government have dealt with two more short-term recommendations. The Girard-Peters Task Force recommended the creation of a committee to monitor the evolution of communications technology. Such a committee has been created. Advanced Broadcasting Systems of Canada (ABSOC) has been recognized by the Minister as the proper instrument to monitor and provide advice on new technologies. With joint government and industry funding, ABSOC will continue its work in this important area.

Furthermore, the Department of Communications and Revenue Canada are co-operating with the Canadian Association of Broadcasters to improve enforcement of section 19 of the ***Income Tax Act***. We have been advised by Revenue Canada recently that some instances of non-compliance have been identified, and we will be pursuing the matter further with Revenue Canada and the CAB.

The remaining three recommendations addressed to government proposed that a three-year moratorium be imposed on the licensing of all new broadcast services. The Minister will speak about this in a few minutes.

Tomorrow, we will continue laying the foundations and perhaps some of the framework for a long-term industrial strategy for Canadian television.

Statement on the moratorium: The Honourable Perrin Beatty

December 9, 1991

I have listened with a great deal of attention and interest ever since the release of the Girard-Peters report in May 1991. At that time, I had the opportunity to question the members of the Task Force with regard to the proposal for a "moratorium" which was the terminology they were using then, and which many would still use today.

I think it is perhaps appropriate for me to make some general comments about where I see things developing in Canada, what sort of challenges I see coming along, what is realistic to expect us to do, and what is not realistic to expect us to be doing in the future.

I think one thing is abundantly clear. The industry today finds itself significantly under siege economically and has enormous pressures on it. This is particularly the case in the French-language industry, and it is something that we have heard underscored, time and time again, over the course of the last several months.

We recognize, as well, that within Canada, there are several distinct markets. Certainly, the French-language market is one that is quite distinct from the English-language one. That was underscored even in the structure of the working groups that we organized to prepare for this summit.

It is clear, as well, that the challenges which are facing Canadians as a result of new technologies are not going to go away. If we were to believe that we can simply put our finger in the dike, and prevent all technological change and all new challenges which are coming along in the future, we would be foolish indeed. If we attempted to do that, an appropriate analogy would be that we were dreaming in "Technicolor".

It is important for us to recognize that anything that we do will likely only affect things in the short term, putting our industry in a position to compete effectively.

There are some variables which are very much predictable. For one, the number of choices available to Canadians in the future will only increase. There will not be fewer than there are today. The critical question will be what role the Canadian industry will play in providing those choices and in providing a distinctively Canadian voice and picture.

Over the course of this morning's and this afternoon's discussion, many of you, on each side of this issue, raised perspectives which I think are valid. It is clear, first of all, that it is important to proceed with a great deal of prudence with regard to the issuance of new licences for new services.

If opinions vary on the nature of the mechanism to put in place and its duration, everyone agrees to recognize the importance of allowing the Canadian television industry to catch its breath in a way that will enable it to continue to offer quality Canadian programming to the population.

I was very struck by Mr. Sherratt's remarks with regard to the importance of recognizing the transition that we are dealing with here and the fact that we are seeing enormous pressures on the industry today. I do not think Mr. Sherratt was arguing that we should be turning back the clock but, rather, that we should be looking at making a transition, one which will lead us into a new role which is more competitive, in a way which will enable Canadians to be able to compete effectively.

I do believe that to enable this transition to take place, a digestive pause is in order, as Ray Peters mentioned previously. But let none of us have any doubt about where we are going from here.

We are going into a system that is markedly different from the one which we have known in our lifetimes. Until very recently, it has been possible for Mr. Spicer, and for the government and our predecessors, to determine to a very great extent what Canadians were able to see and hear. That is no longer the case. We are moving into a milieu which is changing dramatically. Our system must be one that is viewer-driven. It is one where the viewer will decide what programs he or she is going to watch, if he or she is going to watch any programs at all.

The number of choices is continuing to expand enormously, whether delivered by videotape, laser disc, direct broadcast satellite (the so-called death star that we keep referring to), cable, or over-the-air broadcasts. Consumers can simply vote with their feet by going down to the video store and picking up a video if they are not satisfied with something that is being offered by the other choices.

The milieu or new world that I would see us entering, is something akin to an electronic video store of the sky, if you will, with an enormous number of choices available. There will be literally thousands of programming choices available for the viewer to watch at any one time. In addition, there will be an increasing, intermodal competition designed to draw people away from even television viewing.

If we use the analogy of the video store for the future — we are not there as yet, but are moving in that direction — it is possible for the government to mandate in video stores that a certain percentage of the content be Canadian. Mr. Rogers, for example, is one of the people around this table who is in the video store business as well as many other elements of communications. We could mandate this afternoon, presumably, that Mr. Rogers in his video stores would have to have 25 (or 30 or 40) per cent Canadian content. That would have to be there, and he would comply with those regulations.

What we cannot do is require that a Canadian, who walks in through the front door of a video store and examines the thousands of tapes available, pick out the tape that is Canadian, walk to the front desk, put down his or her money and take it home and watch it. If we are going to succeed in ensuring that Canadian programming is watched, we are going to have to be much more driven by the market in the future and by the needs and desires of consumers themselves. This means moving inevitably into a new environment which is infinitely more dynamic and which offers enormous numbers of choices to consumers.

It means that we have to start seeing the whole process from the front of the television set instead of from the back of it. We have to say to ourselves: How do we ensure that there is Canadian programming available which will be attractive and affordable to Canadians, and which will encourage them to want to have this alternative to foreign programming? There are a number of ways to do this.

First of all, we have to ensure an industry which can survive. That is the whole point of this summit. If we were to attempt to move from where we are today to an entirely changed environment overnight, the effect would likely devastate the industry, and our ability to ensure that Canadian signals and choices are available would be severely undermined.

Instead, we have to look at the whole issue of regulation, how we regulate the system and what sorts of demands are put on it by government. We have to look at the structure of agencies such as Telefilm Canada, and what we can do in working with the production industry to encourage it to produce more high-quality Canadian programming. We have to work with each of you to try to anticipate the challenges that we are going to be facing in the coming years and to plan for those challenges in a way that is rational and collaborative. This is why I am very much looking forward to tomorrow morning's discussion as launching a new phase of the work of this summit in terms of preparing for the future.

In a period of transition over the course of the next three years, I believe it is appropriate that we go slowly. I believe it is appropriate, as well, that we recognize the differences between the Anglophone and the Francophone markets.

Therefore, I would like to state that I support the CRTC's determination to exercise caution in the issuance of new licences while not instituting a total freeze. I believe that this prudent approach in the pan-Canadian market is necessary to provide a period of transition in which broadcasters can ready themselves to meet fierce competition. The extent of their preparation will be key in determining that the Canadian voice will remain strong in the new services.

As well, although the intent of the ***Broadcasting Act*** is to encourage the development of new programming, the government for a three-year period will not provide financial support for the establishment of new television services.

Moreover, taking into account the seriousness of the situation in Quebec, which the size and concentration of the market have rendered more vulnerable, I propose that the issuance of licences to operate new services, whether conventional or not, be subject to extreme vigilance for a period of three years. I have chosen this expression because it was the one used by the Parallel Francophone Committee and I think it is well chosen.

Of course, we shall be able to review these decisions in exceptional cases according to the development of the industrial strategy.

I asked Mr. Fortier earlier about the issue of pay-per-view in French and whether a moratorium or extreme vigilance would apply in the case of pay-per-view in the French market. Pay-per-view exists in the English market today. It is not available in the same way across the country, and it is legitimate for us to ask questions as to whether an extension of this sort of service to the Francophone market would be damaging to broadcasters in any way unacceptable to us.

The new ***Broadcasting Act*** offers a relevant and effective answer to such questions by allowing Canadian broadcasters, together, to tackle the difficulties which they face nowadays while recognizing the problems specific to French-language television.

Ladies and gentlemen, I think this represents, as close as we can find around this table, a consensus in terms of where we proceed. It recognizes that we cannot lock ourselves forever into the past, and the way that things have been done until now. Either the Canadian industry will adjust, be dynamic and prepare for the future, or it will die. Either we will provide attractive choices to Canadian viewers, which will encourage them to move away from the foreign alternative and choose, themselves, to watch Canadian programming, or we will lose that option entirely. This poses for each of us, during this period of transition, an enormous challenge in moving ahead to ensure that we are in a position of being able to compete in the future.

I realize that this is a difficult decision for many of you, as it is for me as well. But it is one which I believe is in the interests of both the industry and Canadians at large.

Report on the findings of the Working Groups on the framework for an industrial strategy: Professor André Caron, Director of the Centre for Youth and Media Studies, Université de Montréal

December 10, 1991

Before I begin, Minister, I would like to just mention that when I accepted this task, I had the opportunity to meet a number of people in the industry and I was quite astonished to have so many people wish me good luck. So I would like to share these wishes with you. I think we might need them.

I hope I will do justice also to all of those who worked on the various committees in terms of the long-term forecast.

We have around the table people who probably define television in very different ways. But technological and competitive developments plus societal and behavioral trends suggest, as we have just seen, major changes ahead. We may agree or disagree on the exact number of years it will take for these technologies to be introduced, but there is a real consensus that an industrial strategy is needed to prepare the transition. Old and new players cannot go it alone anymore.

The significant absentees at this table are the viewers, the consumers. They are the ones who have been telling us in very direct ways that we are facing changing times.

Children, adolescents and even some adults have been telling us that they prefer to spend hours in front of the TV set, not watching programs, but rescuing the Mario Brothers' princess on their Nintendo games. They are telling us that they can watch three or four and even more programs simultaneously while still finding time to flip over to rock or heavy metal music on music channels during the commercial breaks. They also tell us that there is really nothing very "special" to watch. And I will not even begin to talk about VCRs.

We certainly do not have all the right systems or technologies to accurately measure these "abnormal behaviours." We know full well they are out there and that it is hurting the industry as we used to know it. This is why people who do not even usually talk business to each other are here today to discuss the priorities of an industrial strategy for the Canadian broadcasting system in a holistic perspective.

I will report, at this point, on the principal issues which were dealt with by the members of the Advertising and Marketing Committee, the Regulatory and Policy Environment Committee and the Programming and Financing Committee. One should also note that those major points which were raised in the Parallel Francophone Committee are integrated in this overall report.

To begin with, it may be appropriate to mention the overall philosophy which contributed to the work of the various committees as stated in the preamble of the Programming and Financing Committee report.

"The goal of an industrial strategy must be to ensure a healthy domestic broadcasting system that provides Canadians with a Canadian perspective in information and entertainment."

Now let us see how the various committees addressed this issue.

According to members of the Advertising and Marketing Committee, "Marketing must encompass public service objectives, business objectives and viewer needs."

In terms of increased share of advertising, any long-term strategy to improve the economic situation of Canadian broadcasters must include measures to improve both ***market share*** and ***per capita spending*** by Canadian advertisers on television.

Committee members acknowledged that some commercial practices of volume sales, such as conjunction deals, have been counter-productive in certain markets, and this was especially noticed in the Francophone market of Montreal.

In terms of enhanced management, as stated in the report — an improvement is needed not only in the tools, but even more importantly, in the skills and training employed to manage inventory and pricing.

In terms of the impact of television in the media mix, for many observers, if not all, it is quite obvious that the effectiveness of television is being challenged. Some of the issues that should be addressed included the following.

How do we put in place the tools to enable television to better research the viewers, define target groups and devise marketing plans to achieve customer goals both at the national and local levels?

With regard to the regulatory framework for advertising, committee members raised the issue that the television industry should not be subject to imposed regulatory impediments other than those which apply to the advertising industry as a whole.

Finally, to be truly effective in the next few years, the committee felt there is a need for a strong, adequately financed, industry marketing and research organization, and as we mentioned yesterday, the Television Bureau of Canada (TVB) seems to be the appropriate organization. This conclusion was echoed in the Parallel Francophone Committee. An organization such as the TVB comprises public and private broadcasters (including specialty services) and can take on this important function in both the English- and the French-language markets.

From a regulatory and policy point of view, as the technology committee clearly recognized, we will be moving gradually from mass audiences to a more discrete, consumer choice, programming-on-demand system.

In the regulatory and policy environment, it is suggested the following should be considered as the major issues.

With the oncoming changes, there will be increasing demands for certain parts of the radio spectrum to be reassigned for new or existing services, particularly in urban areas.

From a national regulatory point of view, regulation of a preventive, negative, restrictive nature may have to give way to encouragement and exhortation using positive regulatory devices that act as incentives.

On the issue of ownership and control, it appears essential to the committee members to reaffirm Canadian ownership and control of the Canadian broadcasting system to ensure our ability as a nation to implement public policy objectives.

Members of the committees felt that for the cultural industries, the Free Trade Agreement cultural exemption must be protected and reaffirmed.

With regard to competition, the regulatory committee raised two specific issues concerning direct broadcast and direct-to-home (DTH) satellites, and considers that it will be necessary to review the regulation of transborder broadcast-type services.

The committee also felt that it is not clear what potential forms of competition will emerge in the relationship between the telecommunication carriers and the cable industry.

On the matter of delivery of services, as channel capacity increases, cable could provide an outlet for pilots of new shows, for expanded viewer choice, or even for secondary channels offering programming which otherwise does not find network time. This could eventually lead to a CTV 2, Télé-Métropole 2 or a CBC 2. Cable's role in assisting broadcasters should be examined with this in mind.

For program production, the Canadian program production industry must be recognized not only as a business, but also as an agency assisting the government to meet a number of cultural goals.

There is a clear trend towards globalization. If the Canadian production industry is not strong enough to export and form overseas alliances, then in a climate of free trade and lowered barriers we will merely import more foreign product.

The committee feels the production industry needs more assistance to increase its share of world markets.

The committee members question whether tonnage/percentage type regulations alone are able to accomplish the goal of providing Canadian programs which Canadians want to watch. Quality and quantity cannot be traded off against each other.

To these concerns one can also add, and this was raised especially by the Parallel Francophone Committee members, the need to review copyright rules to reflect the true use of distant signals in the Francophone market. This concern was raised as well in relation to CRTC regulation and particularly in terms of required commitment when there is transfer of ownership.

The Programming and Financing Committee members expressed in their report two levels of problems currently facing the industry.

They found a structural problem in terms of a cultural policy which states, that "programs should be Canadian and of high standard" while Canadian programming cannot be sustained by market forces alone. There are many reasons for this, from French and English markets being both too small to the problem of American programming (whose costs are recovered in another market) flooding the English market.

And the current problem is that public funds and market revenues are failing to produce enough resources to fulfil an industrial objective as stated at the beginning.

Revenues of private broadcasters are falling because the money which Canadians spend to watch television is increasingly bypassing those broadcasters. Part of the problem is that there is no overall increase in television viewing, in today's multi-channel universe.

Committee members also believe that the broadcasting system may be defined too narrowly by public policy and regulation to be effective, particularly when the Canadian broadcasting system may soon face direct-to-home satellite services, operated from the U.S., with serious negative effects on the Canadian system.

The final contextual element to bear in mind is that of the relationship between a cultural strategy and an industrial strategy. We could basically have a healthy industry that does nothing more than import American products. A more appropriate view is to recognize that without a healthy industrial base we will not be able to deliver any kind of cultural policy; both cultural and industrial strategies must work together. The Programming and Financing Committee further proposed to look at four specific components necessary to consider for a successful industrial strategy in the Canadian broadcasting system.

The broadcasting landscape — Given the general agreement among working group members that in the future there will be more channels available, the challenge is to find ways to be competitive. Increasingly people want to be in control of scheduling and are willing to use the technology to do so.

It then becomes imperative to decide if one wishes to take a reactive or proactive position in terms of not only technological developments, but also consumer needs.

As for the players in the system, committee members raised the issue of whether there is a future for "broadcasting" as it is commonly understood, or whether the players of the future will be operating in vastly different ways. The place and function of the CBC, the private broadcasters, specialty and pay services, cable operators, independent producers, and others, need to be carefully positioned in the future framework.

As for public policy, a number of questions will have to be addressed. Among these are: What will be most appropriate in terms of Canadian content rules in the broadcasting environment 10 years in the future? How can regulation and industrial strategy encourage competitiveness? What should be the priorities for certain types of programming?

In financing, the committee members identified five sources of revenue: equity investment, sale of air time, government appropriations, subscriber revenues, sale of programming and services.

Questions that were raised were: whether there is a true possibility of old players doing new things, and where new and old sources of revenue will go or should go?

The industrial strategy must look at the totality of the revenue within the broadcasting system to determine the method of assuring the programming needs.

The committee members at the end of their report clearly underlined that on some of these issues, consensus may not be possible, but one should strive to reach one on as many recommendations as possible.

Among the many suggestions made by the Programming and Financing Committee, four appear to have been addressed by all the Working Groups and are particularly relevant in designing an industrial strategy. These should not be seen as all inclusive, but only as guiding points for the discussions.

- First, should "broadcasters" redefine themselves as niche service providers?
- How can they reposition themselves to exploit their programming, packaging, advertising, education and public broadcasting expertise?
- How do we get the maximum value from other needed sources of financing? (fiscal incentives, equity investment, foreign sales)
- How do we finance the large investment needed by the industry as a whole to stay competitive if revenues stay flat?
- Given the investment risks involved, how can the industry attract investment and risk taking, and what are the necessary mechanisms for a more favourable regulatory climate for investment?
- How do we protect and utilize our existing investment infrastructure? e.g. cable systems, over-the-air transmission systems? Should there be an early decision in reference to DBS and DTH?

We may not be able to deal today with those issues specific to the market level given the competitiveness of the markets, but the challenge is to deal with these issues at the system level where some consensus may be possible.

The strategy could be to aim for a managed transition to a more open broadcasting environment, one that seeks to optimize the objectives of the main parties: the consumer, supplier and public policy interest. Canadian industry and government must now develop the range of strategies to reach this goal.

Obviously, an underlying factor to all these questions is the ability to build various partnerships which eventually must develop if we want a strong industry in itself.

Summation presented by Professor André Caron

December 10, 1991

Minister, we have travelled a long way in time this morning — from 1991 to the year 2000 — by car, sometimes in a Ferrari, along all sorts of electronic highways, and we even found ourselves in the Supreme Soviet.

As you can imagine, ladies and gentlemen, I shall not be able to do full justice to all of the comments made by each person. I would recommend, however, Minister, that a verbatim transcript be made of this morning's discussion for all the intervenors, in order that use can be made of the numerous, very rich and promising ideas that have been expressed around this table.

In one of the first interventions, we were told that it was not "business as usual." Then, we followed on by noting the importance of linking any industrial strategy with a cultural strategy.

No one is under the illusion that there is a rapid or easy solution, or a quick fix, for the very present problems and those to come. Several avenues to explore further were proposed to us: reduce the weight of the regulatory apparatus, respect the fundamental freedom of viewers and broadcasters, make use of yield management and also fiscal incentives. The formation of a committee on the financing of Canadian program productions was proposed, to prepare a report between now and February. There was a desire to encourage the free flow of capital, mergers and consolidation without penalty. And, for sure, there was opposition to multiple regulatory jurisdiction.

We even had the act of contrition by Mr. Spicer. In addition, we had a very significant testimony from one of the most recent players, Television Northern Canada. We had a suggestion also to establish, for future meetings, a study group on the representation of women and non-majority groups in the industry.

When we began this morning's meetings, the analogy I had in mind was that of two solitudes, not on a linguistic basis but on an entrepreneurial basis. I am pleased now to say that I think we have gone beyond that analogy.

Obviously, the main debate is about the future. I will not use the word "consensus," but there is a great interest by all the players in being part of the picture. To do this, however, the equation must consider the distribution, or what Mr. Bélanger eloquently described as the architecture of distribution, programming and cost.

As was said, we should probably position ourselves between the status quo and panic. Broadcasters have made some offers and so have cablecasters. We even have a repackaged new channel of Canadian programming on the table. This is not a perfect world, but there are now exchanges between various players.

As was said, it is important that the strategy nourish the prosperity of the industry but also of all viewers and all Canadians. Public, private, specialty and cable have indicated they are willing to talk. From talk we should then go to action. We have heard the words "consolidation," "co-operation," "consortium," "broker" — these are all words we heard around the table. But it is what these words translate into, I think, which is more important, and that is a mood and a new attitude for the industry.

We have created a process, Minister. Now we must build on this and build on the moment.

It should be seriously considered that this agenda be pursued on a short-term basis to allow everyone around the table to be able to define this future industry.

Closing Remarks: The Honourable Perrin Beatty

December 10, 1991

I do want to express a personal thanks to each and every one of you for your participation here. As we wrap up today, we go home with an understanding of the magnitude of the task which lies before us and, I think justifiably, with a sense that we have participated in something which is important and beneficial, not just to the people in this room, but to Canadians from one coast to another.

On Sunday night when I arrived in Montreal, one of the first things my staff did was to bring me down to this room so that we could get an idea of the physical layout. It was in seeing the table for the first time that I began to realize the magnitude of the particular job that was facing all of us.

I noted that the organizers of the Summit had gone to some considerable pains to organize the table so that people were grouped roughly based on what particular segment of the industry they represented. In looking at it with most of us lined up along the side, it reminded me of the seating plan in the House of Commons, where the Government sits on one side and the opposition on the other. In Ottawa, it is based on the British parliamentary tradition, and the distance between the front rows of the government benches and the front rows of the opposition benches is slightly greater than two grown men standing in front of their desks with swords in their hands outstretched so that the swords wouldn't quite touch. I noticed that the chasm here seemed fairly large as we started, but it is one that kept on shrinking as we went along.

I think all of you are to be commended for your tremendous participation.

Let me say most sincerely that particularly this morning's discussion was one of the most interesting and exciting and stimulating discussions I have been privileged to participate in, in my almost 20 years in public life. I think it was very valuable. Professor Caron, your suggestion that we have a transcript of the discussion circulated is an excellent idea.

I don't intend to review in detail our discussions of the past two days. Instead, I want to emphasize one key point: We are not going to stop here; we are going to move forward.

To speak frankly, it is essential that we all reach an understanding on an effective and coherent industrial strategy, and that we implement it. It is the only way to rectify Canadian television's precarious situation and to pass with assurance the turn of the twenty-first century.

This strategy must aim to reinforce the financial foundations of the Canadian broadcasting industry and to ensure its competitiveness in the world market. To cite the submission made by the Canadian Association of Broadcasters, we need to concentrate our energies not on individual productions, but on the long-term development of an industry capable, internally and externally, of producing regularly and seriously Canadian productions that will make our television industry prosper.

This Summit constitutes the first decisive step towards the development of this industrial strategy. It has become evident, as the Girard-Peters report clearly affirmed, that the key to the future of our broadcasting system and its capacity to resist threats from outside lies in the excellence of its Canadian programming. All our efforts must converge towards this goal.

The days of isolated, individual strategies are over. The challenges facing us are enormous, but they must be met. They require an approach that is both dynamic and global in scope.

It is impossible, for example, to ignore the impact of new technologies, like direct broadcasting via satellite, on the growth of broadcasting in Canada. That is why we decided to ask the Steering Committee to follow up on the ideas raised here and to choose the most efficient means to deliver an industrial strategy. It will be able, for example, to review the efficiency of existing structures.

I am aware that some of you would like us to take decisions even more quickly. We can meet the challenge to the extent that the industry can reach a consensus to build upon. We have proven that we can act quickly and effectively. Let's not stop here. I challenge the Steering Committee to present a report within six months — and I stress the word "within." We shall be ready to receive the report as soon as it is completed.

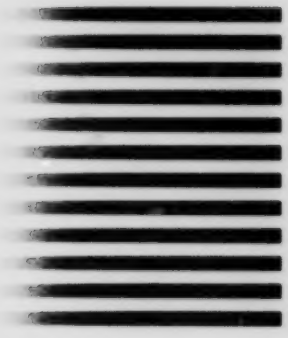
As we make the industry more stable and healthy, let's not forget why we are doing it. It is not simply to ensure the financial security of those of us privileged to sit in this room. It is to provide, for Canadians in all parts of this country, a rich, varied and truly Canadian broadcasting system. In the broadcasting industry of the future, it is the viewer who must come first.

I want to conclude by thanking everyone who contributed to making this Summit a success as well as all Canadians who watched us on cable. In particular, on behalf of all of you, I would like to extend a special thanks to Jacques Girard, Ray Peters and the rest of the Task Force for such an outstanding report; to the Steering Committee and Working Groups for the excellent preparatory work they have done; to Dr. Caron for his excellent work as rapporteur; to the participants who ensured the success of our meeting — we have the best brains in the industry gathered in this room; to the cable industry, particularly Vidéotron, for outstanding cable coverage to the community at large and for ensuring that Canadians were able to share the very extraordinary experience we had here; to my own officials who worked so long and so hard to bring the Summit about; and finally to the organizers of the Summit logistics who have done a tremendous job with all of their work.

I am delighted that we were able to reach a consensus so quickly on so much of the Girard-Peters report. This, in itself, was no mean feat.

As we return home, we can do so with a sense of genuine accomplishment. Let's continue to build upon the momentum that we have generated. Thank you each and every one. The meeting is adjourned.

Members of the Steering Committee

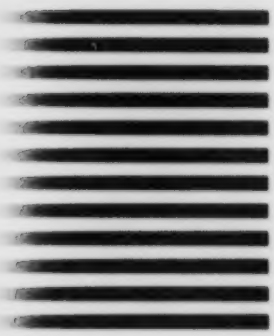


Members of the Steering Committee

Paul Racine Department of Communications	Chairman
Member	**Representing**
Charles R. Allard Superchannel	Pay television broadcasters
Robert Armstrong	Telefilm Canada
Michel Arpin MusiquePlus	Specialty television broadcasters (French)
Louise Baillargeon	Association des producteurs de films et de télévision du Québec
Noel Bambrough	Canadian Cable Television Association
Charles Bélanger Télévision Quatre Saisons Inc.	Association canadienne de la radio et de la télévision de langue française
Debbie Brisebois	Television Northern Canada
André Bureau Astral Bellevue Communications Inc.	Pay television broadcasters
Gordon Craig The Sports Network	Specialty television broadcasters (English)

Member	Representing
Suzanne D'Amours	Association des producteurs de films et de télévision du Québec
Allan Darling	Canadian Radio-television and Telecommunications Commission
Larry Durr	Department of Communications
Paul Gaffney	Canadian Broadcasting Corporation
Jean C. Guérette	Department of Communications
Ian Ironside	Department of Communications
François-Pierre LeScouarnec	Association des câblodistributeurs du Québec
Michael McCabe	Canadian Association of Broadcasters
Elizabeth McDonald	Canadian Cable Television Association
Bernard Montigny Legris, Lefebvre & Associés	Association canadienne de la radio et de la télévision de langue française
Peter Mortimer	Canadian Film and Television Production Association
Alain Pineau	Canadian Broadcasting Corporation
Rob Scarth	Canadian Association of Broadcasters
Susan Scotti	Department of Communications
John Shewbridge	Canadian Broadcasting Corporation
Kenneth Stein	Canadian Cable Television Association
Michel Tremblay	Canadian Association of Broadcasters
Cynthia White Thornley	Office of the Minister of Communications

Working Group Reports and Related Documents



Report on the structure of the distribution system in the new environment

Foreword

The Television Summit held in Montreal on December 9 and 10, 1991 focused on a broad range of issues dealing with:

- recommendations of the Girard-Peters Task Force on the Economics of Canadian Television; and,
- the development of a framework for an industrial strategy for the broadcasting industry.

As part of the deliberations, it was recognized that rapid technological change is occurring in television broadcasting, and such change would increasingly mean greater competition.

Audience fragmentation was seen as one of the major factors underlying the economic problems of Canadian television broadcasters, and the advent of U.S. direct broadcasting by satellite threatens to further aggravate the problem.

In response to these developments, the main objective was seen as providing all Canadians with a wide range of television services as stipulated in the ***Broadcasting Act***, to ensure that the Canadian broadcasting system remains responsive to Canadian audiences.

The development of an industrial strategy in this second phase of the Summit process attempts to formulate a more detailed response to this new and still emerging environment.

Technology Evolution and the Environment

In its report to the Department of Communications in November 1991, the Television Summit Committee (Phase 1) on Technology Evolution and the Environment identified major environmental and technological trends affecting the future of broadcasting in Canada.

Among these trends, the merging of communications and computer technologies in the form of digital signal processing and transmission was seen as challenging every aspect of our communications and distribution infrastructures including those affecting broadcasting. The Canadian

broadcasting system, it was predicted, would soon undergo major evolutionary changes [1] due in large measure to the development of:

- digital video compression;
- advanced television systems; and,
- direct-to-home transmission of satellite signals.

Report of the Television Summit Committee on Technology Evolution and the Environment

The Canadian broadcasting system needs to come to grips with these and other developments, which will increasingly compete for the consumer's available leisure time. Home computers, video games, video cassette recorders (VCRs), laser discs and even emerging multimedia systems are all competing to varying degrees for the consumer's entertainment and information demands.

Of particular concern to Canadian broadcasting is the advent of U.S. Direct Broadcasting System (US DBS) services with the potential that a large number of U.S.-based broadcasting services may be received directly by many Canadians through their purchase of a small satellite receiving dish. A subscription payment to a U.S. entity would also be required. Such a scenario undermines both the audience base and the economic base of the Canadian broadcasting system.

These technological developments will cater to growing consumer demand for more customization, personalization, convenience, value and control over leisure time. Consumer behavioural and societal trends over the next decade suggest that consumers will want to watch what they want to watch when they want to watch it.

Canadian consumers will want to watch what they want to watch when they want to watch it

In developing an industrial strategy, the Canadian broadcasting system must recognize first and foremost that consumer demands will need to be met. Otherwise, Canadian consumers could in large numbers turn to alternatives for their entertainment and information needs.

The Canadian broadcasting system must recognize first and foremost that consumer demands will need to be met

(1) For more detailed information, see "Emergence of New Delivery Technologies," Advanced Broadcasting Systems of Canada (ABSOC), April 2, 1992.

This report examines a Canadian response to these changes to our broadcasting system from the perspective of the distribution infrastructure.

A Threat to the Canadian Broadcasting System

A strategy must be developed for meeting the competitive challenges ahead to ensure that Canadian consumers will continue to "tune in" to the Canadian broadcasting system.

That strategy should be based on strengthening the key elements of the system to ensure that consumer needs continue to be met here at home. This requires a renewed partnership among all the players.

We need to develop new innovative and appealing services and new ways for the exhibition of services such as on-demand offerings and multiplexing of programming in order to conveniently accommodate the widest possible audience. Similarly, we need to develop the technical infrastructure that will meet the distribution needs of the twenty-first century, allowing consumers access to many more channels of programming with much better quality, reliability and control over programming choice, including a consumer-friendly interface allowing ease of tuning for a large number of channels.

Public policy will need to recognize that Canadian consumers will increasingly have options to access a wealth of programming choice from foreign sources. Canada, like the rest of the world, is entering a new era of global access to programming and information, where regulation of the delivery mechanism no longer by itself guarantees effective regulatory control.

Canada, like the rest of the world, is entering an era of global access to programming and information

Direct reception of US DBS satellites will give Canadians access to choice, convenience and significant control over their entertainment environment through on-demand programming. Wide-scale reception of U.S. services through small dish receiving equipment threatens to de-stabilize the Canadian broadcasting system in several ways:

Wide-scale reception of US DBS threatens to de-stabilize the Canadian broadcasting system

- First is the potential removal of Canadian broadcast signals from the television set in the home, which translates into outright audience loss;
- Second, assuming that Canadian signals will continue to be received by homes receiving US DBS, is further audience fragmentation over and above the levels currently being experienced;
- Third is the loss of cable subscribers resulting in revenue loss to Canadian specialty, pay and satellite network services, revenue loss to the Canadian cable television industry, and a potential loss to conventional broadcasters.

The eventual impact of US DBS in Canada will clearly depend on the attractiveness of the services offered and the response of the Canadian system. Major players in the U.S.A., including Hughes Communications and Hubbard Broadcasting (USSB), will commence satellite transmission to small, inexpensive dishes as early as 1994 and will initially target a near video-on-demand market with at least 40 to 60 channels of movies and special events. Other entrants in this new distribution medium could follow with the recent Federal Communications Commission's decision awarding some 256 channels in the Broadcast Satellite Band to nine separate applicants.

A Canadian Response

"Canadians should have access to a wide variety of satellite programming from around the world, along with a full range of new Canadian programming services as well as new non-programming services. Canada has the strongest and most technically advanced cable distribution system in the world. We are now building on this system and our own satellite technology, to enable the broadcasting system to expand its domestic audience and revenue base, and to guarantee that we have an ongoing vehicle for Canadian programming.

Cable, drawing on satellites and over-the-air broadcasting, represents the most cost effective means of significantly expanding the viewing choice of most Canadians, while at the same time ensuring that the broadcasting system remains identifiably Canadian." [1]

In 1983, the Department of Communications initiated a new broadcasting policy recognizing cable television's central role within the Canadian broadcasting system.

As the 1983 policy perceived, cable's role within the broadcasting system has been one of its main strengths. Because of its extensive delivery facility and very high subscriber penetration levels, reaching 90 per cent of households in some urban centres, cable television has played a central role in the Canadian broadcasting system. Canadian broadcasters have benefited through priority carriage as well as through simultaneous program substitution estimated to provide more than $80 million in net revenues to the Canadian television broadcasting industry. Through its delivery facilities, cable television has helped launch 19 new Canadian premium and specialty services over this time period — an incredible Canadian success story.

---

(1) Towards a New National Broadcasting Policy – 1983.

[redacted]

New Canadian Cable Services Successfully Introduced within the Last Decade

Service	*Subscribers (in thousands)*	*Service*	*Subscribers (in thousands)*
MétéoMédia	6,457	Canal Famille	1,745
YTV	6,420	RDS (Sports)	1,728
NewsWord	6,371	First Choice	519
Vision TV	6,668	Family Channel	367
TSN (Sports)	5,754	Telelatino	244
MuchMusic	5,575	Superchannel	216
CHSN (Home Shopping)	5,300	Super Écran	183
TV 5 (Int'l Fr. Language)	3,169	Viewer's Choice Canada	(PPV)
MusiquePlus	1,903	ChinaVision	19
		Cathay	13

While the Canadian broadcasting system will continue to be a multiplex of delivery technologies, each appropriate in various applications, cable television should remain the key component of a strategy to deal with the competitive challenges ahead. In addition, the feasibility of launching a Canadian direct-to-home satellite service as an alternative to US DBS should also be examined.

[redacted]

While a Canadian high-power satellite distribution system has generally been viewed as economically not feasible, there has been, over the years, some support for a medium-power Ku-Band approach and for a low-power C-band service such as that currently being offered by Cancom and First Choice. Direct-to-home reception of the Canadian satellite alternative meets the objectives of the 1983 Department of Communications (DOC) policy that "Canadians should have access to a wide variety of satellite programming, by providing service outside of cabled areas and thus reaching all Canadians".

Telesat Canada has recently launched the most powerful satellites now in domestic service in North America. While the Anik Es are of lower power than the true DBS being contemplated by the Hughes-Hubbard consortium, they now and could in the future provide a technically acceptable alternative and can do so much more quickly.

The major problem in establishing significant subscribership to such services has generally been competition from the availability of "free" U.S. satellite services through illegal or tampered satellite decoders. In Canada, most private satellite receiving stations and a large number of satellite master antenna television (SMATV) operations use illegal satellite decoders to receive U.S. "cable" services transmitted over satellites. With the imminent adoption of much more secure scrambling of these services, one of our main goals should be the "repatriation" of these Canadians to a Canadian satellite service.

Cable television in concert with satellite delivery to unserved areas can offer better choice, convenience and value than US DBS

There are an estimated 400,000 C-Band private satellite receiving stations already in operation in Canada. These satellite receiving stations include dishes in the 8-foot range and cost in the order of $2000. In addition, there are a number of private smaller Ku-band dishes, located mainly in Quebec. The opportunity to repatriate "illegal" dish owners is probably going to occur only once. In all probability, Canadian households not passed by cable television will purchase one dish/decoder, not two. If U.S. dish/decoders are purchased, the opportunity to establish a Canadian service will be lost.

A Canadian response to US DBS must rely on the collective strengths of broadcasters and programmers including pay-TV, pay-per-view and specialty service operators and the program delivery capabilities of satellite and cable television operators. Cable television, with its extensive delivery capability, offering Canadian programming, local programming and the best of foreign services, can provide better choice, convenience and value than any DBS service. In addition, a Canadian satellite service can provide a package of services to non-cabled areas that is more attractive, by virtue of its Canadian services, than US DBS services. Canada has the foundation for such a direct-to-home (DTH) service with the Cancom package and domestic pay and specialty services.

Using this extensive technological infrastructure, we need to develop "near" video-on-demand programming to meet Canadian audience needs. With the increase in channel capacity through the use of digital video compression, programs can be transmitted with staggered start times (i.e., 15-minute intervals) which provides almost on-demand access to a particular program.

The key to winning and keeping the audience will be the programming carried.

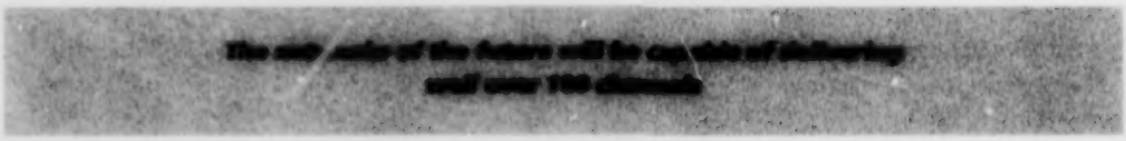
Technical Considerations

An attractive range of programming, available in all areas of the country, at a competitive price and on a user-friendly basis may be the key to effectively competing with US DBS.

The achievement of this will place major demands on the distribution infrastructure, which will be required to:

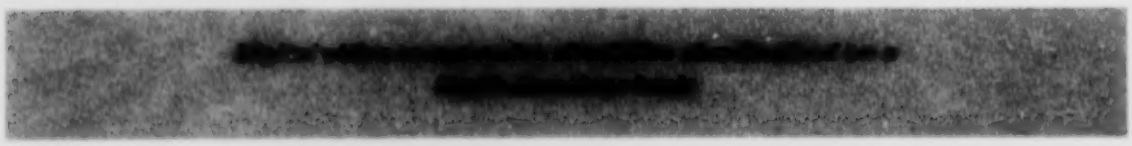
- deliver a larger number of channels (at least 100);
- deliver a signal quality equivalent to that of US DBS;
- deliver advanced television formats;
- be user-friendly from a consumer perspective;
- provide encryption for control of delivery and addressability;
- provide for ancillary data services such as broadcast schedules and program promotion information; and,
- provide for two-way interactive capability.

The distribution system will consist primarily of a combination of cable television and satellites, both using digital compression technology. Cable television will rely on a hybrid coaxial/fibre delivery system with a nominal channel capacity of at least 100 channels. The Anik E satellites with digital video compression can deliver well over a hundred satellite channels.



One of the key factors in building the networks of the future is the advent of digital video compression (DVC) . The strategy is based on the availability of DVC decoder terminals at a cost that will allow their wide-scale use for cable television, direct satellite and terrestrial over-the-air reception.

Following testing of various proponent systems in the U.S.A. during 1992, a selected approach is expected to lead to a standardized compression approach for cable television and satellite transmission. Such standardization should be extended on a North American basis and include terrestrial over-the-air applications in order to allow seamless reception/transmission between the different transmission systems and to take advantage of economies of scale in the manufacturing of DVC decoders. Equipment using this compression system is expected to be commercially available in late 1993.



With the potential standardization of compression approaches, the possibility exists in the foreseeable future for DVC decoders to be sold as consumer items or even integrated within television receivers. There are, however, concerns that signal control and security could be compromised through pirated equipment.

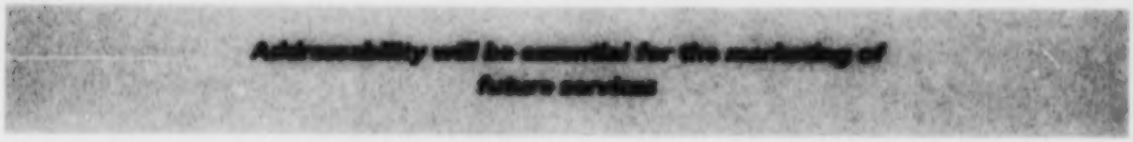
The introduction of digital video compression over cable television systems, in addition to considerably increasing channel capacity, should also provide a means to enhance the technical quality of broadcast signals. Cable television systems could duplicate broadcast signals in DVC mode such that consumers with DVC decoders could also receive improved digitized signals of broadcast stations.

The new generation of set-top devices is expected to be significantly more customer-friendly than current converter/decoder boxes. These devices will utilize intelligent features to offer such things as electronic program guides, VCR control functions, etc. Similarly, a new generation of television receivers is expected to be more user-friendly thereby enhancing the consumer's ability to cope with the large number of channels available in the future.

The introduction of Advanced Television Systems (ATV) within the next few years will mean higher quality performance and wider-aspect-ratio pictures (16:9 versus the current 4:3). The transmission of ATV [1] will almost certainly be in digital format as opposed to the current analog approach used for (NTSC) transmission. It is anticipated that the system selected in the U.S.A. in 1993/94 will permit over-the-air service within a 6 MHz channel — the same bandwidth used for television signals today.

Broadcasters and satellite or cable television operators will therefore be faced with the choice of transmitting several, lower quality, narrow-aspect-ratio signals or one ATV signal within the same bandwidth.

One of the main technological challenges in the network of the future will be the wide-scale deployment in the home of "addressable" equipment capable of individual signal control and decoding, thus enabling a high degree of customization of service. Addressability can be provided either through set-top terminals or externally through some form of switching. Addressability will be essential for the marketing of services in packages and even ***à la carte***.



The provision of near video-on-demand programming such as movies and special events will be heavily dependent on the deployment of addressability throughout the distribution network.

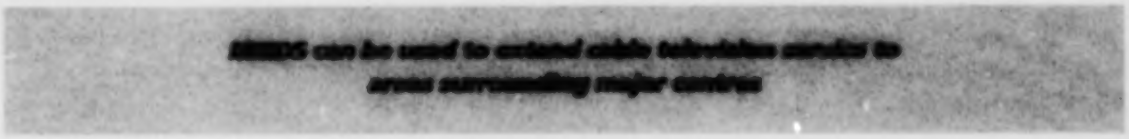
Other Technologies – MMDS, DBS, Microwave

While cable television, with its high subscriber penetration levels, will remain the overall dominant delivery system for television programming, other delivery technologies, including satellite and Multichannel Multipoint Distribution Systems (MMDS), will play a key role in the overall Canadian delivery system.

---

(1) For more detailed information, see "Emergence of New Delivery Technologies," Advanced Broadcasting Systems of Canada (ABSOC), April 2, 1992.

In Canada, there are a number of applications by cable television licensees before the Canadian Radio-Television and Telecommunications Commission to operate MMDS systems for the purpose of extending cable television service to areas surrounding major metropolitan centres where cable television is unavailable. These areas make up the greatest proportion of non-cabled households. With MMDS, up to fifteen channels of television can be transmitted to low-cost home terminals. With the use of digital video compression in the future, this channel capacity could be significantly increased. The Department of Communications should review its spectrum policies in relation to MMDS with a view to increasing the number of channels available for this service.



MMDS can be used to extend cable television service to areas surrounding major centres

As discussed previously, Canada's direct-to-home services are, and can be, distributed via C-band and/or Ku-band satellites. As well, the possibility of employing a Direct Broadcasting System (DBS) satellite for the delivery of Canadian programming should be evaluated. This would involve an examination of the conditions and cost-effectiveness of launching a Canadian DBS satellite. The notion of delivering scrambled Canadian programming services to Canadians via a US DBS satellite is also being examined in some quarters.

Satellites provide the essential link between program originators and packagers and the hundreds of cable television headends as well as network affiliates across the country. This satellite network is now used, and could be used to provide programming to individual satellite-receiving terminals where cable is not provided. Such a role has been limited until now due to the easy availability of illegal decoders. However, digital transmission with its secure scrambling systems provides a renewed opportunity for the growth of Canada's direct-to-home satellite services.

Non-programming Services

In the competitive environment of the future, the development of non-programming services over cable television distribution systems is seen as strategically important.

These services can be broadly categorized as:

Messaging

Electronic mail, fax, advertising, electronic program guides

Access/Retrieval

Database access, videotex, video games

Transactional

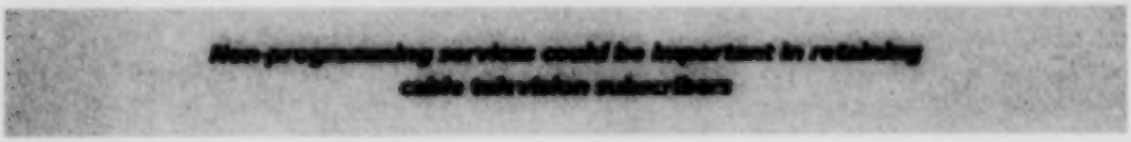
Home shopping, home banking

Telemetry

Home security, energy management

These services will increasingly be offered to cable television subscribers as network modernizations take place and as the industry deploys intelligent subscriber terminals. Other services intended for business applications are also possible on cable distribution networks.

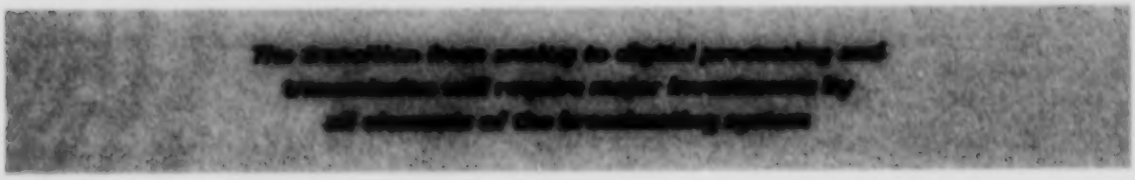
The development of these services over cable television systems is important as part of a strategy to attract and retain subscribers by offering a wide variety of programming and non-programming services. The enhancement of cable's perceived value from the consumer's perspective can only strengthen the Canadian broadcasting system by increasing cable penetration within existing cabled areas and reducing the probability of disconnects. Furthermore, as these services become financially viable, they contribute to the cost of network modernization.



Financing

The Canadian broadcasting system will require major investments in new technologies over the next few years.

All elements of the Canadian broadcasting system including terrestrial broadcasters, specialty, pay-TV, pay-per-view, cable television and satellite networks will be affected by major technological transitions. The transition from analog to digital processing and transmission, for example, will require extensive changeover of equipment in studios, transmission facilities and consumer interface devices.



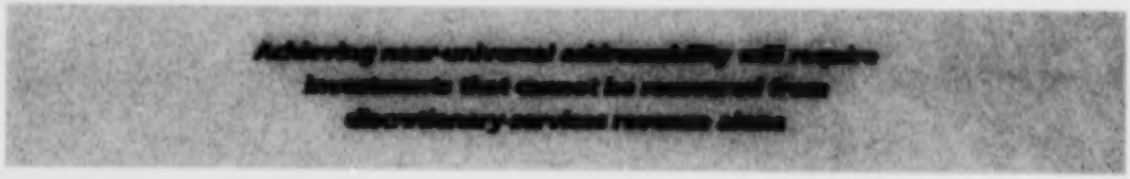
Over-the-air broadcasters, for example, will have to make substantial investments in both production and transmission equipment for ATV. Digital video compression over satellite and cable will also require major investments in terminal devices.

Cable television, as the main distributor of television programming to Canadians, will require investments in new distribution technologies to provide significantly more channels with better signal quality and reliability. Investments will also be required to extend services to unserved areas.

Similarly, large investments will need to be made in addressable and signal control technology. For digital video compression alone, the deployment of DVC decoders to achieve near universal addressability will require a capital investment of nearly $2 billion.

To some degree, these investments will be recovered through new sources of revenues, in particular pay-per-view and near video-on-demand and non-programming services. However, an accelerated deployment of near-universal addressability will likely require investments that cannot be recovered from discretionary-services revenues alone.

In addition to the financing of investments in the distribution system, appropriate financing arrangements will have to be developed to ensure an appropriate quantity and quality of Canadian programming to maintain viewer interest and acceptable audience levels.



Conclusions and Recommendations

Over a relatively short time period, the Working Group on the Structure of the Distribution System in the New Environment has examined some of the major technological trends expected to have impact on our Canadian broadcasting system within the next few years. Our findings and recommendations as outlined below are neither intended to be exhaustive nor can they represent a final response to a complex, fast-changing environment.

Technologies such as digital video compression, for example, have only recently been sufficiently understood to formulate an assessment of their potential impact. Similarly, the potential impact of US DBS is only now emerging as we examine power and coverage levels. Programming — the main element in the competition equation — still remains to be determined.

Nevertheless, if we can all agree on one conclusion, it is that major changes are occurring. These changes are international in scope, and we need to respond if we are to maintain a broadcasting system that is identifiably Canadian and is responsive to Canadian consumers. While no one will argue about the need for much more extensive study of technological and environmental factors, we nevertheless conclude that a strategic direction needs to be developed now.

Recommendation 1 – Respond Now

Public policy needs to recognize that major technological changes affecting all aspects of communications are occurring on a global scale, and that these changes threaten to de-stabilize our Canadian broadcasting system by introducing wide-scale competition.

We need to respond now.

Recommendation 2 – Consumer Focus

The key to competing effectively with emerging alternatives is programming — an equal or better range of programming, available in all areas of the country, at a competitive price and on a user-friendly basis. A regulatory environment needs to be established where Canadian services can thrive and compete with foreign programming.

A Canadian response must first and foremost be consumer-focused.

Recommendation 3 – Central Role for Cable

The distribution system will continue to be a multiplex of delivery technologies, each appropriate in various applications.

Cable television's central role as the preferred delivery mechanism for television services should be reaffirmed.

Recommendation 4 – Study Canadian DTH Alternative and Licence MMDS with More Spectrum

Public Policy should continue to support the extension and equalization of services to all areas of the country.

A Task Force should be established to study the development of a Canadian direct-to-home (DTH) satellite service for uncabled areas as a competitive distribution alternative to US DBS.

Multipoint multichannel distribution systems (MMDS) should be licensed to extend service to uncabled areas surrounding major centers. Additional spectrum should be made available for this service.

Recommendation 5 – Promote Standardized Compression System

The distribution system of the future will be largely digital with a high degree of interoperability. A common digital video compression system will be an important factor in developing a competitive response.

The Department of Communications should encourage the move toward a common and standardized compression system for the major components of the broadcasting system.

Recommendation 6 – Change Policies and Regulations and Increase Tax Write-Off Benefits

The Canadian broadcasting system faces major investments in new technologies over the next few years. Regulatory and tax changes are needed to encourage this investment.

Policies and regulations dealing with (1) tangible public benefits, (2) the treatment of operating expenses in relation to investments in industry research and (3) cable television rate regulations pertaining to capital expenditures should be reviewed in this context.

Increased tax write-offs should be allowed for existing technologies to encourage investments in new distribution systems.

Recommendation 7 – Create a Television Industry Advisory Council

A renewed partnership between all the components in the Canadian broadcasting system is essential to develop a cohesive response to a changing environment. Dialogue begun under the Summit process among the major players in the Canadian broadcasting system should continue.

The Department of Communications should foster the creation of a Television Industry Advisory Council.

Committee Members

Chairman

Noel Bambrough
President and Chief Executive Officer
Cablecasting Limited

Other Members

Paul Brown
Director, Business Affairs
JLL Broadcast Group

Susan Cornell
Vice President, Regulatory,
Corporate and Native Affairs
Cancom

Lisa de Wilde
Partner, Heenan Blaikie
(Representing pay & pay-per-view licensees)

Larry Durr
Director, Regulatory Policy
Broadcasting Policy Branch
Department of Communications

David Garforth
Director, Transmission and Distribution Systems
Canadian Broadcasting Corporation

Steve Harris *
President & CEO
CHCH-TV

Ian Ironside
Chief Regulatory Affairs
Broadcasting Policy Branch
Department of Communications

Sue Knott
Director, Transmission and Distribution
Department
Telesat Canada

Peter Kruyt *
President
Power Broadcasting Inc.

François P. Le Scouarnec
Directeur Général
Association des câblodistributeurs du Québec

Roger Poirier
Senior Vice President
Canadian Cable Television Association

Rob Scarth *
Director, Television Policy
Canadian Association of Broadcasters

Robert Smee
Director, Strategic Projects
Canadian Broadcasting Corporation

---

* *These members have requested their names be deleted from this membership list.*

Response by the Canadian Association of Broadcasters (CAB) concerning the structure of the distribution system in the new environment

Introduction

1. The objective of Phase II of the Minister's Television Summit process is to explore in depth the key issues brought forward in Phase I and develop an agreed-upon set of policy principles that can serve as a guide for the system as a whole in the medium-to-long term.

2. The mission statement of Phase II is to develop an industrial strategy for television to provide the means for the system to deal with two fundamental challenges:

- the potential impact of high power multichannel US DBS services; and,
- the fragmentation already affecting television.

3. Television Summit's Working Group 1 on the Structure of the Distribution System in the New Environment was struck to examine the changing landscape of the Canadian broadcasting system, with particular reference to key technological trends that will affect that landscape in the medium-to-long term.

4. At this time, digital video compression (DVC) presents some of the greatest challenges and opportunities for the Canadian broadcasting system. The Canadian Association of Broadcasters (CAB) believes it is important that the establishment of policy with respect to the Canadian broadcasting system not be based on an assumption that US DBS, facilitated by the use of DVC, will destabilize the system. If that is to be the rationale for a prescription for the system's future, then that assumption must be demonstrated. We do not believe that the report of Working Group 1 demonstrates this assumption.

5. In response to this concern, the CAB has commissioned a research report to assess the potential impact of US DBS. Entitled, "Potential Market for US DBS in Canada," it was prepared by NGL Consulting Ltd. Secondly, the CAB has set out its own perspective on this issue and other technological issues as a framework for the policy principles CAB believes need to be affirmed in the system at this time.

6. This paper highlights the ongoing challenges faced by the Canadian foundation broadcasters and sets out the key technological trends that will affect the system. It reviews the potential impact of US DBS on the Canadian marketplace; it highlights the opportunities digital video compression will provide to over-the-air broadcasters, and it sets out the key policy principles that need to be affirmed by the Government in this Summit process.

Ongoing Challenges

7. The Canadian television broadcasting system is facing a number of challenges:

- The introduction of third and sometimes fourth conventional TV services in most major markets, the increasing commercialization of public broadcasting, the growth of specialty TV services and the increased presence of U.S. specialty TV services through the extended basic cable tier have all increased the level of competition within the industry for audiences, advertising revenues and program resources.
- The private television industry is in jeopardy, and the poor financial performance of the last few years is the culmination of a long-term trend rather than the result of any one extraordinary event. Low revenue growth, the high cost of industry consolidation, the movement of dollars away from advertising to promotion, and steadily increasing program costs have all put pressure on the industry's economic health.
- The rising level of debt and the decline in profitability means that the industry is not well positioned to take on further debt or to attract equity investment to expand and grow in the future.
- The continuation of these trends and the expected arrival of several new technologies could create new challenges for general-interest broadcasters, further eroding their economic viability and their central role in the system.

Technology and the Evolution of the System

8. Considerations of technology and its implications are at the base of much of the discussion concerning the future of the Canadian broadcasting system. It is important to emphasize, however, that technological change will arrive in the Canadian broadcasting system by evolution, not by revolution:

- It is unlikely that any sector within the system will undertake an extraordinary short-term switch-over to new production or distribution systems or adopt, wholesale, new technologies such as digital video compression. Investment resources are scarce, and new markets will not necessarily return enough to justify sudden dramatic changes in the television industry.
- New technologies will be added to existing production and distribution plants as it becomes practical to do so; such an upgrading process will take place over several years and in some cases will stretch into the next decade.

9. Within this evolutionary process, there are key trends that will affect the Canadian broadcasting system:

- the shift from analog to digital in program production, the broadcasting plant and future transmission systems;

- the adoption of digital video compression, particularly to enable the development of digital transmission, but also for program production and packaging;
- the trend toward automation in all aspects of broadcasting operations;
- the pressures these developments will place on the system's human resource requirements; and,
- the importance that each element within the system exploit its distribution infrastructure.

10. Throughout the industrial world, the trend is toward digital technology, and broadcasting will be adapting to this tide. For broadcasters, vastly improved technical performance will be made possible through advances in digital processing systems. Therefore, it is expected that in virtually all areas of broadcasting, including over-the-air transmission, digital systems will replace current analog technology.

11. Compression technologies are expected to play a significant role in determining the shape of the broadcasting system in the future. The transmission of signals to the general public is central to the foundation broadcasters in the system. Digital video compression systems should lower the unit cost of delivering these signals and should allow broadcasters to utilize the additional spectrum made available by DVC for other purposes, such as over-the-air delivery of additional program and non-program services and/or the transmission of advanced television (ATV). Moreover, DVC can be used within production facilities to enhance the program production and editing process. Digital video compression technology presents opportunities for all sectors of the Canadian broadcasting system.

12. Another important trend within the industry is the movement toward automation and improved operational effectiveness. The adoption of digital signal processing will challenge and empower people at all levels in the broadcasting industry. Automation of the budgeting and planning process, program production and packaging, and sales and marketing functions will provide broadcasters with the ability to improve operating effectiveness. This in turn will enable broadcasters to focus more resources toward the creative aspects of program development, management and marketing.

13. An important corollary to this technological evolution within the broadcasting system will be the training and retention of high-quality human resources. As all industries move into the digital era, the broadcasting business will have to apply information technology to job functions. This will require computer-literate and adaptable people at the entry level and constant skills upgrading for those within the industry.

14. At present, broadcasting services have exclusive use of large tracts of very high frequency (VHF) and ultra-high frequency (UHF) radio spectrum. There will likely be increasing pressure on government from other potential users of that spectrum. That pressure may also intensify as an increasing number of Canadians elect to receive their television services via cable, or through MMDS if available, or even through high-power direct-to-home satellite services.

15. Conventional broadcasters have developed a unique delivery infrastructure in this country. This infrastructure remains an enormous asset to the broadcasting system, particularly in the consideration of digital NTSC or ATV transmission.

Impact of US DBS

16. There is a broad perception that the imminent arrival of US DBS will provide viewers with a wide array of services at a highly competitive price. It is assumed that this offering will be so attractive that many subscribers will disconnect from basic cable, and that much of cable's expected future growth in new discretionary services will be captured by US DBS. The result, it is suggested, would be an erosion of the economic base of the cable industry and a reduction in the regulator's control over the system.

17. The cable industry's answer to US DBS is to increase the number of services available on cable to match DBS and to do that as soon as possible to head off the threat of US DBS. From the cable industry's perspective, the easiest way to accomplish this "harmonization" with US DBS services would be to take most of the U.S. services that will be available on US DBS, and make them available in Canada on cable.

18. There is a growing body of evidence to suggest that the early anxiety with respect to US DBS and its incursion into the Canadian marketplace is giving way to a more reasoned assessment of how US DBS services will ultimately be folded into the Canadian marketplace.

19. CAB has commissioned research on the market potential of US DBS in Canada. This study:

- describes the development of US DBS services and their availability in Canada, including the Skypix and Hughes/Hubbard initiatives;
- projects the competitive response of the Canadian cable system, including the introduction of new programming and non-programming services and the deployment of digital video compression (DVC);
- assesses the competitive position of US DBS versus cable services in Canada; and,
- forecasts the consumer penetration of DBS in Canada.

20. This report concludes that US DBS will not result in substantial damage to the Canadian broadcasting system, given that the cable industry is capable of responding to that threat. It further states:

- US DBS will have a limited impact on the system, and this impact will develop over a period of several years.
- The Canadian cable industry provides a unique and attractive basic service of local Canadian and U.S. TV stations and Canadian specialty TV services, which will prevent US DBS from making significant inroads into the Canadian cable market.

- The enhancement of existing Canadian pay-per-view (PPV) services and innovations in multiplexing pay-TV services through expansion of channel capacity should enable the cable industry to match and compete with the multichannel PPV services of US DBS.
- Canadian cable systems offer the best of U.S. and Canadian TV services already. The additional services expected to be carried by US DBS that are not available on Canadian cable will not be a strong enough engine to attract many Canadian TV households.
- Whether the CRTC is somewhat more liberal or more restrictive in tiering and linkage regulations and in permitting cable to carry more U.S. services, a regulatory response is unlikely to affect the penetration of US DBS in Canada as much as the cable industry's own competitive response, which should be built on demonstrating its superior price and value to subscribers.

21. We do not believe that a government policy statement on the future of the Canadian broadcasting system should be based on the assumption that, unless there is government policy intervention to enable the cable industry to carry the same range of services as the US DBS, the Canadian broadcasting system will be "destabilized."

22. Given the strength of the Canadian cable offering, it is possible, and is in the interests of the Canadian broadcasting system, to develop a much more thoughtful and sophisticated response.

23. The key issue from the perspective of Canada's private broadcasters is: How can the Canadian broadcasting system be strengthened in an environment that will likely be characterized by increased competition? The advent of US DBS should be considered more appropriately as an important but not critical factor. It will not lead to the demise of the Canadian broadcasting system. It will not necessarily destabilize the cable industry, if that industry exploits its existing strengths imaginatively to meet the challenge.

Opportunities for Conventional Broadcasters

24. Canadian private broadcasters recognize that change is a constant, for them as for every other sector of the economy. They recognize that developing technologies present both challenges to the way in which they currently operate their businesses and opportunities to improve them.

25. Broadcasters, cable operators and all of the other elements that constitute the Canadian broadcasting system will continue to make the investments necessary to serve Canadians and to serve them better in the future. No element of the system is going to stand still as technology continues to evolve and as the competitive environment changes over time.

26. The impending introduction of digital video compression fundamentally changes the economics of programming distribution because it expands the capacity of all transmission systems, including satellite, cable, telcos and over-the-air:

- DVC will facilitate additional over-the-air video, audio and datacasting services, and it could allow for ATV and/or multichannel NTSC broadcasting services in addition to existing NTSC signals within the UHF and VHF spectrum allocated to television broadcasters.

- DVC makes direct-broadcast-satellite economically feasible and reduces the cost of satellite-to-cable transmission.
- DVC will allow cable to expand channel capacity efficiently, and sufficiently to provide near video-on-demand.
- DVC will enable telephone companies to make video services, including video dial tone service, feasible over existing copper plant terminating loops.
- For all of these delivery systems, DVC will facilitate addressability, and it will make encryption systems more secure. The technology, therefore, enables every delivery system to provide encrypted user-pay services direct to the subscriber or the home.
- The differences between delivery systems will remain ones of coverage and capacity.

27. Digital video compression affects the relative economic position of television delivery systems:

- DVC affords broadcasters the opportunity to transmit multichannel NTSC as well as ATV services and enter the data broadcasting business.
- DVC reduces the satellite bandwidth required by broadcaster customers but may stimulate new demand because of lower transmission costs.
- DVC enables the cable industry to build on investment in high-capacity fibre systems, and to provide for multichannel PPV and other services.

28. The potential of multichannel NTSC enables broadcasters to capitalize on their spectrum allocation:

- Over-the-air transmission remains a crucial part of the business of broadcasting. Advances in digital video compression and the development of a common decoder in the home could provide broadcasters with their own unique market opportunities to provide new program and non-program services.
- In the 1980s, cable systems developed the encrypted discretionary service market.
- Other delivery systems, including over-the-air broadcasting, should review the potential for participating directly in this business.
- Therefore, broadcasters will need to retain control over existing spectrum and to maximize the use and value of that spectrum through new technologies such as digital video compression.
- Broadcasters could package and market either individually or on a pooled basis, and market subscription-based over-the-air (OTA) digital services directly to TV households.

Policy Principles

29. The key question is: How will the respective strategies of cable operators, broadcasters, pay and specialty services and satellite service providers interact with and affect each other over the long term? The issue is whether government policy can address these respective strategies and still retain certain principles that will guide the system as a whole for the remainder of this decade and beyond.

30. There is an absolute requirement for a renewed level of political will to maintain a strong domestic broadcasting system. To that end, public policy will need to reaffirm that public and private conventional general-service broadcasters form the foundation of the Canadian broadcasting system, that they continue to provide most of the Canadian character and content in the broadcasting system, that they generate most of the viewing for Canadian programming, and constitute most of the market for Canadian independent producers.

31. Flowing from this primary role that broadcasters play in the Canadian system, the following principles should be established to facilitate the transition of broadcasters to a more competitive position in the broadcasting system.

Diversity of Delivery:

a) Recognize that Canadians will continue to receive program and non-program services through a diversity of delivery technologies, including over-the-air transmission, cable and satellite.

b) Recognize that digital video compression technology will enable all elements of the system, including broadcasters, specialty TV, pay-TV, cable and satellite, to deliver more services to Canadians.

c) Recognize that as a result of digital video compression, non-program services, such as messaging, information access and retrieval, transactional services and telemetry, can be delivered to Canadians by over-the-air broadcasters, by cable and by satellite.

Regulating Access of Foreign Services:

d) Continue to control the authorization and entry of foreign program services into the system with due regard to their impact on foundation broadcasters.

e) Maintain an appropriate balance between domestic and foreign services available to Canadians.

f) Help to further repatriate audiences from foreign services to Canadian services through the adoption of non-simultaneous substitution.

g) Bring all forms of program distribution under regulatory control, including US DBS.

Maintaining a Framework for Canadian Services:

h) Ensure that priority continues to be given to Canadian services in the cable system and other distribution systems as recognized in the ***Broadcasting Act***, including channel position and any other variations resulting from new delivery technologies.

i) Ensure that the tiering and linkage regulations, which set the framework for the packaging and delivery of services via cable, evolve with changes in technology and the addition of services and are designed to foster the competitiveness of Canadian program undertakings.

Licensing of New Canadian Services:

j) If new services are added to the system, give priority to those that support and strengthen the economic base of foundation broadcasters.

k) Access to advertising revenues for services other than foundation broadcasters should take into account the potential for any adverse impact on foundation broadcasters, since this is the only source of revenue for private TV and radio broadcasters and a major source of revenue for public broadcasters.

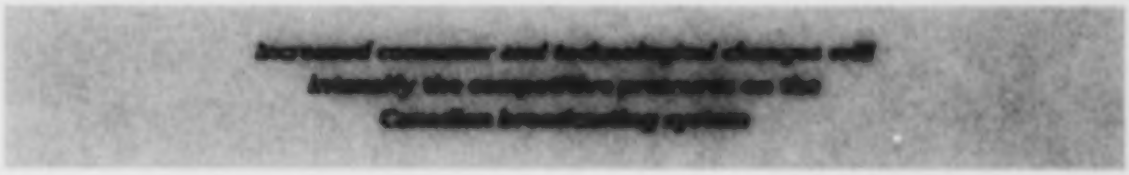
l) Require that carriage be separate from content and, where exceptions exist, ensure that those services do not have an advantage in cable-carriage arrangements.

m) Allow new Canadian services to enter the system only in response to demonstrated audience and market demand and with due regard to their impact on foundation broadcasters and on other sectors of the system, such as radio.

Discussion document used by the Working Group examining cable-broadcasting synergies and new services

Introduction

In phase I of the Television Summit held in Montreal in December 1991, the Minister of Communications of Canada recognized that:



- the Canadian broadcasting industry today finds itself significantly under siege economically and has enormous pressures on it; this pressure is particularly acute on conventional broadcasters;
- within Canada there are several distinct markets: certainly the French-language market is one that is quite distinct from the English-language market;
- the challenges which are facing Canadians as a result of new technologies are not going to go away;
- the number of entertainment choices available to Canadians in the future can only increase;
- it is important to proceed with a great deal of prudence with regard to the issuance of new licences for new services;
- the Canadian television industry must be given the opportunity to continue to offer quality programming to the Canadian population;
- the future Canadian broadcasting system will be markedly different from the one we have known in our lifetime, in that :
  - it will increasingly be viewer-driven;
  - the number of choices, whether delivered by videotape, laser disc, direct broadcasting system (DBS), cable or off-air, is continuing to expand; and,
  - the new world that we are entering is somewhat akin to an electronic video store in the sky;

- it is the Canadian Government's desire to ensure that there is Canadian programming available that will be attractive and affordable to Canadians, encouraging them to demand this alternative to foreign programming;
- in recognition of its desire to ensure that conventional broadcasters are given the opportunity to survive in a new Canadian broadcasting system, the Canadian government has already made public, during Phase I of the Television Summit, its policy to the effect that:

> ***"the issuance of operating licences for new services, conventional or otherwise, be the object of extreme caution for a period of three years."***

This Working Group was formed to further the application of these principles.

Objectives

The objectives of the Working Group are twofold:

[redacted]

1. explore potential synergies among all the components of the Canadian broadcasting system:
   - conventional television,
   - pay television services,
   - specialty services,
   - radio,
   - cable,

   with the aim of defeating the threat posed to the system by foreign direct broadcast satellite (DBS).

[redacted]

2. determine how services will evolve in the future environment to achieve a broadcasting system that:

- supports Canadian cultural objectives nationally;
- is financially healthy;
- provides a wide choice of quality, especially Canadian, programming;
- is based on viewer choice;
- continues to rely on strong, distinct, public and private sectors;
- is responsive to new technological developments with a clear indication of the structure of the distribution system;
- cultivates a spirit of co-operation among its constituents, enabling them to fight off outside challenges; and,
- operates within a flexible regulatory and policy environment.

Outlook

1. The broadcasting system is already fragile because of low growth, the movement of dollars away from media advertising to promotion, higher program costs, etc.

2. The entry into the marketplace of an array of new information and entertainment services, both U.S. and Canadian, has strained the broadcasters' already tight financial situation.

3. Competition is sure to increase in the foreseeable future. DBS plans now under way in the United States may not materialize on schedule, but they will soon be a reality. The demand for new services is not expected to abate and narrowcasters stand ready to meet this demand.

4. There is a broad perception that DBS will provide viewers with a wide array — up to 200 channels — of services at a highly competitive price. These will likely be narrowcast and more and more offered on a demand basis.

5. Cable subscribers, it is feared, will find this offer irresistible and might disconnect in great numbers.

6. Video compression on cable is expected to increase channel capacity well beyond 200, giving cable distributors the ability to counter the DBS threat with a competitive range of services.

7. Co-operation among all members of the Canadian broadcasting system is required to design services that will compete effectively against DBS while meeting the broad objectives of the system.

8. In this new environment, is it essential or even desirable that general-service broadcasting remain part of the system?

System Response

1. The approach chosen in response to the DBS challenge has to allow for the survival and growth of all components of the broadcasting system:

- conventional broadcasters serving a mass audience,
- pay television services,
- specialty services,
- radio,
- cable.

2. Viewers have to be provided with an affordable Canadian alternative to foreign DBS. Considering its actual depth of penetration, cable would appear to be the most convenient and effective system for the distribution of Canadian television signals.

3. Whatever approach is devised, it should provide new opportunities for Canadian program development. The 200 - channel universe will cause a massive demand for programs, and a vast proportion of these should originate from Canadian sources.

4. The formula retained should also provide cable operators with opportunities for an attractive packaging of services.

5. Broadcasters will always maintain an edge locally because neither DBS nor other video services can fulfil local programming needs. But nationally, they can only counter the threat by offering more and better Canadian choices.

6. There is little doubt about Canadian broadcasters' ability to produce the kind of programming that can assure viewer loyalty to the Canadian system. Their competence in this area has been amply demonstrated in the past decade. The question is money, given the restricted market opportunities for Canadian programming.

7. New sources of income will have to be generated to finance such programming. In the current economic conditions, conventional sources of income — advertising, cable fees and public funds — will be hard pressed to provide the massive sums that need to be invested into programming and distribution. Each may be expandable, but not to the extent required, it would seem.

8. The cable industry also believes that the only way to meet the DBS challenge is to increase cable services to match DBS, and to do this at the earliest possible date to head off any disconnect.

9. Care must be taken not to imperil the radio broadcasting system in attempting to strengthen the television broadcasting system.

Synergy Potential

1. The expansion of fibre optics networks and the forthcoming digital video compression offer two-way addressability, multichanneling or the simultaneous communication of several signals on a single channel (multiplex).

2. If cable were retained as the preferred carrier for television signals, these technologies could provide conventional broadcasters with additional channels to expand their services without crowding the electromagnetic spectrum. They would also enable them to target audiences for advertising and devise direct-marketing applications that could help broadcasters repatriate some of the marketing expenditures now devoted to trade and consumer promotion.

3. A creative combination of off-air, line-of-sight and satellite broadcasting would have to be used to deliver TV signals to the 20 per cent or so of homes not passed by cable. Such a combination, maximizing the existing terrestrial distribution system, could cover the entire Canadian territory.

4. Conventional, pay television and specialty services broadcasters and cable operators all need each other if they are to compete effectively with the oncoming DBS threat. Only through their concerted effort can the Canadian broadcasting system be made to withstand a massive invasion of the airwaves by the foreign programming carried by DBS.

5. Synergies must also be developed amongst pay, specialty and mass-audience services.

A Solution to an Urgent Situation, Part of an Overall New Canadian Model

Because conventional broadcasters are the most immediately threatened, this Working Group has devised a solution that addresses their specific problem as one element of an overall solution.

This revised model's objective would be twofold:

- secure the competitive position of cable operators and conventional broadcasters; and,
- generate additional revenues in the system to produce quality Canadian programming.

These would be the new model's main features:

1. Conventional broadcasters would continue to offer their main service appealing to a mass audience.

2. One or more additional channels would be made available to them to enhance their services.

3. Broadcasters could avail themselves of a certain number of such channels to develop services reinforcing their hold on viewers and advertisers.

4. The programming aired on such channels could vary according to broadcasters. Some could mainly repeat or repackage their general programming. Others might produce or purchase programming aimed at particular audiences.

5. Canadian programming services could be developed to furnish these additional services. Centres of programming energy might arise as servers: e.g., instead of a stand-alone senior service, we might have a senior programming network offering programs to individual broadcast affiliates.

6. Thus, with a channel capacity in excess of 200, up to 40 channels might be allotted to conventional broadcasters in the major markets and some 50 to 60 channels to pay-per-view services, leaving over 100 channels to continue to provide and expand the other services offered on cable television.

Main Concerns

New and creative synergies need to be developed between all players in the Canadian broadcasting system if we are to successfully counter the challenge posed by DBS. The model above is an example of a type of synergy that can fortify the position of conventional broadcasters in the new environment.

Other models of synergy between conventional broadcasters, pay and specialty services, and cable distributors need to be explored. However, several concerns remain:

1. The broadcaster's main concern is whether enough revenue and quality programming could be generated to sustain these services and make them attractive to prospective audiences. Broadcasters are also concerned that the response of the Canadian system be based on a realistic assessment of the competitive threat of DBS.

2. Cable operators are concerned about the development of service packages that are attractive enough to compete against DBS and prevent disconnects from the system.

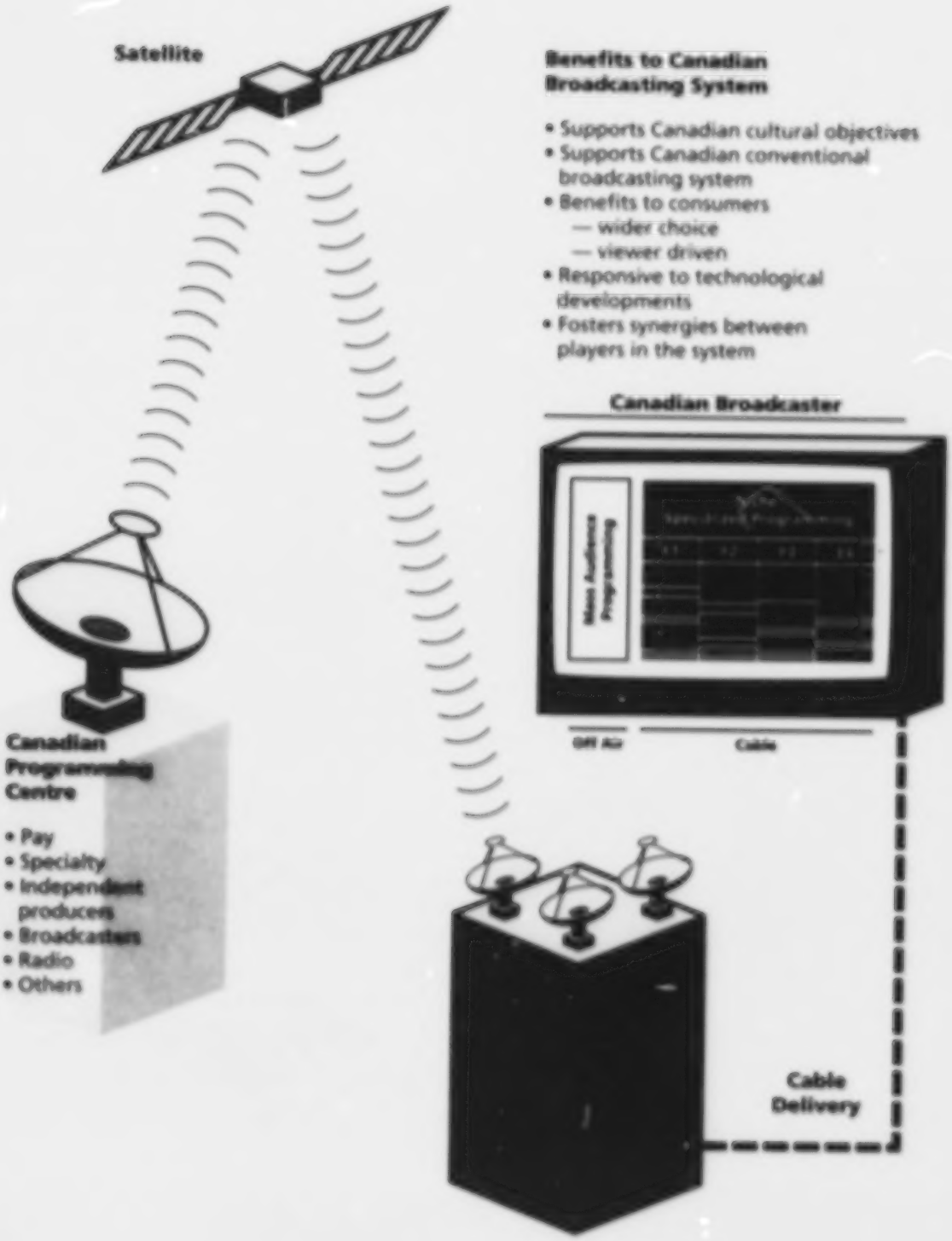
3. Specialized and pay-per-view services tend to view the DBS challenge as an opportunity rather than a threat. Their concern is to ensure that the efforts made to revitalize conventional broadcasters will not hinder their opportunities for growth.

Conclusion

1. This Working Group should be given the opportunity to further explore potential synergies between the various sectors of the Canadian broadcasting system to enable the system to take full advantage of the evolving technologies and compete effectively against the foreign DBS threat.

2. This Working Group considers that the model described above is one that offers conventional broadcasters a reasonable chance of survival and could strengthen their financial position. Thus, the Working Group will continue to work out the economics and detailed operations of such a model, and report at the February 1993 hearings of the CRTC.

3. This Working Group suggests that the Minister of Communications recommend to the CRTC to consider all potential synergies between conventional broadcasters, pay and specialty services and cable operators, starting with an in-depth analysis of the model above at its February 1993 public hearings on a revised Canadian broadcasting policy.


Satellite
Benefits to Canadian Broadcasting System
• Supports Canadian cultural objectives
• Supports Canadian conventional broadcasting system
• Benefits to consumers
— wider choice
— viewer driven
• Responsive to technological developments
• Fosters synergies between players in the system
Canadian Broadcaster
Canadian Programming Centre
• Pay
• Specialty
• Independent producers
• Broadcasters
• Radio
• Others
Cable Delivery

Report by pay-TV, pay-per-view and specialty services concerning cable-broadcasting synergies and new services

Introduction

In his remarks at the closing of Phase I of the Summit on Broadcasting in December 1992, the Minister of Communications emphasized that it is essential for all of the players in the broadcasting industry to agree on an effective and coherent industrial policy and then for such policy to be implemented.

Objective

The mandate of the Working Group examining cable-broadcasting synergies and new services was described by the Department of Communications as follows:

"To develop a position outlining the future environment in terms of the improvement of existing services and the development of new services. The work is to include consideration of:

- ***cable/broadcasting synergies,***
- ***new services,***
- ***competitive package in response to foreign DBS, and***
- ***financing."***

The objective of this Working Group is to explore potential synergies among *all* the components of the Canadian broadcasting system — conventional television broadcasters, pay-TV, pay-per-view, specialty services and cable distributors. It is important to develop a strategy that will ensure that the Canadian broadcasting system is ready and able to respond to technological and competitive challenges. The Canadian broadcasting system must take advantage of technological advances that will increase the number of cable channels as well as improve the quality of the television signal. Failure to do this will mean that Canadian television broadcasters will not effectively respond to competitive challenges from new U.S. specialty and pay-TV services, US DBS and video rental.

The purpose of this Working Group is also to examine how Canadian programming services will need to evolve in the future environment to achieve a Canadian broadcasting system that:

1. supports Canadian cultural objectives nationally and internationally by providing a window for the exhibition of Canadian programs;

2. provides Canadian television viewers with a wide range of quality, especially Canadian, programming;

3. gives Canadians convenient, flexible access to Canadian services;

4. continues to deliver to Canadians strong, distinct, public and private services, in both the English and French languages;

5. operates within a regulatory and policy environment that is flexible, encourages innovation and is oriented toward rewarding success;

6. cultivates co-operation among its constituents, enabling them to respond successfully to challenges and opportunities;

7. takes advantage of the potential offered by technological developments to enhance and strengthen the Canadian broadcasting system; and,

8. is financially healthy.

Outlook

1. Competition for Canadian broadcasters from other media, new technologies and U.S.-based services will continue to increase for the foreseeable future.

2. US DBS services will provide viewers with a wide array — up to 200 channels — of services at a highly competitive price. These channels will include a number of super stations, narrowcast services and many channels of pay-TV and pay-per-view/near video-on-demand. While some of the US DBS services currently being proposed may not materialize on schedule, some will surely be a reality in the short term (1994-1995).

3. The use of video compression and fibre optics in the distribution system will increase channel capacity on cable systems beginning in late 1994 to well beyond 200 channels, giving the Canadian broadcasting system the ability to offer viewers many more channels than are available today.

4. The demand by viewers and by Canadian cable operators for new programming services is not expected to abate. New Canadian services should be licensed and operational preceding the expansion of channel capacity on Canadian cable systems and the arrival of the new US DBS competitors.

5. Co-operation among all members of the Canadian broadcasting system is required to develop and maintain a Canadian system that will be able to take advantage of the changes that will take place over the next few years, while meeting the broad policy objectives for the system that are set out in the *Broadcasting Act*.

A New Model for the Canadian Broadcasting System

1. The response of the Canadian system has to allow for the survival and growth of *all* components of the Canadian broadcasting system — the programmers (general interest/mass-audience, specialty, pay-TV, pay-per-view and non-programming services) and cable operators. There are opportunities for synergies among all of these players.

2. Based on its high level of penetration, cable will continue to be the most convenient and effective system for the distribution of Canadian television programming services. In particular, the expansion of fibre optics in cable networks and forthcoming digital video compression on cable will facilitate the provision of universal addressability and multiplexing (i.e., the simultaneous communication of several signals on a single channel) — both of which will permit cable systems to offer many more channels and thus to respond to television viewers' demands for more control, choice and convenience in their television viewing.

3. In addition, for those Canadian homes not passed by cable systems, a creative combination of off-air, line-of-sight and satellite broadcasting should be used to deliver TV services. Such a combination, maximizing the existing terrestrial distribution system, could then reach every Canadian household.

4. Conventional/general-interest broadcasters will always play a key and fundamental role in the provision of local content. US DBS, in its first phase, will not provide local programs. In addition to their existing channel, conventional broadcasters should also have an opportunity to give their Canadian programs more exposure so that more Canadians can see these programs more conveniently. Each local broadcaster should be able to take advantage of additional cable system channel capacity to provide viewers with a further opportunity to see Canadian programs that have already been aired on the broadcaster's main channel.

5. It will be necessary to ensure that the Canadian broadcasting system has a full panoply of narrowcast services to meet the increasing viewer demand for choice and to fill the expanded channel capacity of cable systems. This means that new Canadian specialty services will be needed. The licensing process of new Canadian services should ensure that these services are ready early enough to take advantage of the expanded channel capacity of Canadian cable operators and to meet the competition from US DBS services.

6. Movie services will also constitute a large portion of the US DBS services. Pay television broadcasters and cable operators should use digital video compression technology and fibre optic networks to multiplex their pay-TV services. Multiplexed pay television offers viewers greatly increased convenience and value by multiplying the number of movies that are available at any given time.

7. The US DBS services will also offer no less than 50 to 60 channels of pay-per-view movies. As soon as the channel capacity exists, Canadian cable subscribers should be able to receive a vast number of channels of movies and events on a pay-per-view (PPV) basis, amounting to near video-on-demand. There will be no need to import such U.S. services since the Canadian services will offer viewers access to all of the hit movies released by the U.S. studios, plus key Canadian product.

8. Cable distributors and specialty and pay-TV programmers will continue to need to have opportunities to create attractive packages of services by combining Canadian and non-Canadian services (i.e., linkage rules). As large a majority as possible of the channels on cable systems must be devoted to Canadian services.

9. The regulatory system must be positive and flexible.

- In the licensing of new specialty services, no category of applicant should be given preference.
- Access to cable distribution for Canadian services should be guaranteed under regulated market conditions.
- Cable operators and specialty and pay programmers will continue to need the opportunity to create attractive packages of services by combining Canadian and non-Canadian services (i.e., linkage rules).
- Regulation must be proactive rather than protective.

10. New mechanisms must be devised for Canadian program development. There is little doubt about the ability of Canadian programmers (including conventional, specialty, pay-TV, and PPV) to produce or finance the kind of programming that can assure viewer loyalty to the Canadian broadcasting system. Their contribution in this area has been amply demonstrated in the past decade. The challenge is to be able to finance more high quality programs given the limited size of the domestic market across which program costs can be amortized.

11. Conventional sources of programmers' income — advertising, subscriber fees and public funds — may be expandable. In particular, a key industry strategy should be, as stated in the Report of the Television Summit Committee on the Regulatory and Policy Environment (December 1991), to develop "industrial strategies to increase per capita spending by advertisers on television in Canada, which lags behind U.S. spending". We also need to examine strategies to move advertising dollars from other media into broadcasting. The working group on marketing and advertising has been examining these questions.

There will also be a need for sizeable private capital investments. New sources of income will also have to be generated to finance Canadian programming.

12. The most effective way for the Canadian broadcasting system to meet the challenges and opportunities is to assemble an attractive package of programming services at the earliest possible date, in order to increase viewer choice and convenience and to match services offered by US DBS. This should head off possible disconnects by Canadian cable subscribers. Canadian services should be the first to occupy the field so as to ensure that as large a majority as possible of the services originate from Canadian sources.

13. We also believe strongly that the Commission should move swiftly to assert its jurisdiction over the Canadian activities of US DBS, pursuant to the provisions of the ***Broadcasting Act***.

Conclusion

The Canadian broadcasting system must continue to respond to consumers' expectations and needs and to address the challenges facing the industry while conforming with the objectives enunciated in the ***Broadcasting Act***. A strategy for broadcasting must maintain a uniquely Canadian system in the face of significant competitive threats. A vision for the Canadian broadcasting system must build on the successes that Canadian programmers and cable operators have already achieved, taking advantage of technological innovations to ensure the continued success of the system, while providing an opportunity for new ideas to develop and flourish.

Report on broadcasters and individual identity

Foreword

Following detailed examination of the Girard-Peters ***Report on the Economic Status of Canadian Television***, the Television Industry Summit held in Montreal on December 9 and 10, 1991, set out the first elements of a long-term industrial strategy, one of which was contained in the report of the Parallel Francophone Committee: "[...] the pursuit of complementarity, meaning in this case developing programs based on what the others do not offer, was not the way to develop individual personalities for the networks, but ... specificity and differentiation were the paths to follow."

The main players in the French-language television industry then met on three occasions [1], at the request of the Steering Committee which met in Ottawa on February 14, 1992, to discuss the individual identity of broadcasters.

Working Group Mandate

As part of its preparations for the Summit, the Parallel Francophone Committee agreed to examine the programming of the networks, within the framework of developing an industrial strategy, in order to assess their orientations in terms of specificity and differentiation.

The findings of the present follow-up Working Group apply to the French-language networks only, since the English-language networks did not express any interest in this issue.

To fulfil its mandate, the Working Group focussed on two types of issue: those relating to the industry itself, and political issues.

The Working Group first examined the mission and characteristics of the companies participating in the Working Group, to try to define the individual personality of each of them and then discussed the political structure governing television, including the ***Broadcasting Act***, the regulatory framework and funding.

---

(1) April 3, April 23 and May 1, 1992.

Mission and Characteristics of French-language Broadcasters

To begin with, each broadcaster summarized its orientation.

Radio-Québec

Radio-Québec's orientation is based on its action plan (1992-1995), which it recently made public. Radio-Québec is a non-instructional, educational television network, which develops its programming in accordance with the needs of Quebec society.

- Each year since 1987, Radio-Québec has had to respond and adapt to the expectations (objectives) of the Quebec Minister of Communications.
- It allocates 25 per cent of its programming budget to independent productions, in order to "interact with the independent sector."
- It responds to regional expectations, in spite of $8 million in cuts in 1985, by producing programs for the network in co-operation with independent artists and producers in the regions.
- It has a guaranteed base budget of $64 million a year over five years and does not want to increase the amount of advertising time.
- It is looking for alternative sources of revenue, such as marketing the network's vertical blanking internal (VBI) for data transmission.

Radio-Québec's programming priorities, according to the 1992-1995 action plan, are divided into four areas:

1. ***Public affairs:*** they go further than the other networks in investigating social and industrial issues and so on.

2. ***Cultural programming:*** the goal is to publicize our collective cultural heritage.

3. ***Youth programming:*** they provide a block of children's programming between 16:30 and 18:30; focus on developing programs for 13-15 year olds, in association with TVOntario, FR3 and the Communautés des télévisions francophones (CTF).

4. ***Social programming:*** education and so on.

In conclusion, Radio-Québec believes that the television industry can no longer operate as it did 25 years ago. Working methods must be re-examined, including a review of the restrictions imposed by unions and other structures.

Radio-Québec feels that its programming is already distinctive; many of its programs require a great deal of research and development; GRAFFITI and youth programming are good examples.

Radio-Canada

The Société Radio-Canada recognizes that successive budget cuts by the federal government since 1985 have unquestionably affected its programming.

The Corporation notes that its generalist mandate in television was confirmed by the new ***Broadcasting Act***, and indicates that it is currently reviewing its activities in order to meet the objectives of the Act, taking into account its financial situation.

Several Working Group members have already questioned the appropriateness of Radio-Canada's sports programming (hockey). The Corporation is examining this question, but notes that hockey is an important source of revenue that helps finance other types of Canadian productions and that eliminating hockey would result in a loss of Canadian content that would be difficult to replace and would affect the network's generalist mandate.

At all levels of the Corporation, including the Board of Directors, advertising is seen as a validation of the service provided.

The Corporation is considering strengthening its role in the areas of research and development and technological innovation.

It feels that it should establish more partnerships with the private sector for employee training, acquisition of sports broadcasting rights and so on.

In conclusion, the Radio-Canada representatives stated that the Corporation should be able to submit its Action Plan at the beginning of the summer, but that, for the moment, public television should serve as a model in the areas of news, public affairs, youth programming, variety and sports.

Télévision Quatre Saisons

TQS is returning to its roots. Its corporate mission is to "reflect today's Quebec within a North American context."

Its programming covers four areas:

1. ***Movies:*** box office, theme weeks
2. ***Information:*** more local programming, close to the action
3. ***Sports:*** somewhat by accident—the Nordiques, for example
4. ***Entertainment:*** young programming with a "modern presentation."

TQS is revising its strategic planning in the wake of financial difficulties and an analysis of an audience study it commissioned from Léger & Léger.

TQS, the youngest traditional network, says that it will continue to use independent producers. It feels that a network's personality "is defined through tone and interpretation."

Télé-Métropole

"Télé-Métropole is the leader in profitable television in Quebec. TM produces urban programming that reflects today's Quebec. The quality of our programming meets the expectations of our target viewers; it entertains, informs and moves them. Our sense of innovation and our efficiency make us a uniquely versatile and high-performance advertising medium, which delivers a mass audience in a variety of formats and combinations to meet the needs of our clients. Management's role is to channel all of the company's activities and resources toward achieving customer satisfaction. It encourages productivity and teamwork and promotes creativity, quality and corporate pride." (Excerpt translated from Télé-Métropole's mission statement)

Télé-Métropole defines itself as a service-oriented network that is close to the Quebec public. Having described its programming, it indicated how it brings together a number of different Quebec audiences. TM has "broken down the barriers" between information and general programming.

To maintain its place as the leader in "profitable" television in Quebec, TM focusses on two clienteles: viewers and advertisers.

TM aims to be a "gutsy" network and wants to develop projects, take risks and, above all, produce programs that will reach Quebec audiences. It mentions specialized programs that take time to develop large audiences and involve certain risks, such as "Claire Lamarche" and "Le Match de la vie."

TM will continue to produce drama series, but they will be more targeted, such as "Chambres en ville," which is a good example of TM's approach, bringing together young authors and more seasoned authors, and new actors and big-name performers.

TM's target audience is between 18 and 54 years of age. It has no interest in children's programming, except perhaps through partnerships, given the current legislation on advertising aimed at children.

To achieve its objectives, TM feels that regional programming should focus on quality, rather than quantity. "We want to take information from the regions and put it on the network." While maintaining product "homogeneity," TM broadcasts an average of 150 features from the regions every month. It does not intend to open offices abroad; it is interested in the international scene to the extent that that scene interests or affects Quebeckers.

One of TM's proudest achievements is live news coverage where warranted by events. The Gulf Crisis and the Oka Crisis are good examples. TM feels that it can react more quickly than Radio-Canada in these situations.

TM is a strong believer in self-promotion; all program hosts are informed of new programs and mention them during their own shows.

Canal Famille

The Canal Famille has a target audience between 2 and 14 years of age and, contrary to the project recently discussed, the network will not become more family-oriented because management is reluctant to spread the available funds too thin.

The network will not carry any violent programs.

As it proposed to the CRTC, the Canal Famille intends to end programming at 19:00 during the week and 20:00 on weekends and during school holidays.

Additional efforts will be made in the near future to develop programs for 3-5 year olds and reduce the number of cartoons, replacing them with fictional programs.

The Canal Famille does not and will not carry any advertising; its revenues will continue to come from cable subscribers.

Super Écran

Super Écran is re-evaluating its service and, in particular, its programming because it feels that there is currently a glut of movie programming available to viewers.

The network wants to develop and create new products in order to offer "added value" in addition to the range of choices currently available and would like to be more event-oriented, like the French Canal +.

Super Écran would also be interested in developing projects in partnership with other broadcasters for new products, with first window options.

In conclusion, Super Écran questioned the orientation of Telefilm Canada.

Réseau des Sports

RDS is a sports network first and foremost, but some of its programming deals with recreation as well.

RDS wants to build on its achievements to date and develop its prime time slot through new products (other than baseball and hockey).

The network is making efforts in the area of amateur sports, but considers this sector to be a secondary source of programming.

It feels it is important to have two sources of revenue (advertising and subscribers) and notes that its advertising time, which is limited to national advertisers, is eight minutes an hour.

It subscribes to the CAB code of ethics and uses its good judgment for late-night programming of events such as kickboxing and wrestling.

RDS feels that there is considerably less sports programming on the traditional Quebec television networks than there is in the United States and English Canada.

Météomédia

Météomédia, which has produced "coast to coast" weather programming since 1988, is watched by 650,000 households a week in Quebec, with peak periods in January and February.

Its advertising revenues are naturally exclusively national. Although it could run 12 minutes of commercials an hour, the network generally reserves 4 minutes an hour for advertisers, and sells 2 to 3 minutes an hour on average.

TV5

TV5 is a foreign generalist television network, with information programming accounting for 60 per cent of its programming schedule. It is a complementary channel in terms of schedules.

TV5 wants to promote the distribution of top-quality Canadian programs in Europe and Africa. The Canadian products broadcast on TV5-Europe account for 10 per cent of the programming schedule, but none of these products is broadcast during prime time. More variety programs, drama series and fictional programs are needed.

TV5 reaches 5 million subscribers in Quebec and 3 million in the United States. It is currently considering broadcasting in South America.

TV5 wants to be an international, rather than a Canadian, broadcaster.

Its revenue comes mainly from cable subscribers ($0.28 per subscriber in Quebec, $0.025 per subscriber outside Quebec) and governments.

TV5 is seen in the United States through an agreement with the "International Channel" network, which targets viewers interested in foreign languages.

The Point of View of Non-broadcasters

Association des producteurs de film et de télévision du Québec

The Association des producteurs de film et de télévision du Québec (APFTQ) hopes that there will be more of this type of discussion between broadcasters and producers and that all parties will work together to develop products, as this is in everyone's interest.

The APFTQ feels that a joint effort is required to examine the relationship of the two major partners with Telefilm. It is important not to be scrutinized at every turn, particularly when broadcasters and producers agree on the validity of a project.

Some parties feel that the French model, which provides for automatic funding of projects when an agreement is reached between a producer and a broadcaster, should be used. Others feel that the way the production industry operates should also be reviewed; at the moment, everyone operates on a project basis, and there are very few production infrastructures in the industry. It was noted that Quebec's economic recovery plan provides for industrial "clusters" in the cultural field, but no recognition has yet been given to the communications field. According to the APFTQ, the Quebec Department of Communications is working to convince the government to consider the media as constituting an industrial cluster of its own.

Fédération des réalisateurs

The Fédération feels that creativity must be included in any development plan. Where will we train producers and authors?

Any corporate strategy must include mechanisms to motivate and stimulate creativity. We have to find a way to link corporate objectives and motivation (integration) with creative objectives. What are our success stories, if not home-grown successes such as "Les Filles de Caleb" and Bombardier? There can be no real industrial strategy if creativity is not included from the beginning.

CFTM has suggested finding simple solutions, which, in its experience, help to integrate and stimulate creativity in programming development. Télé-Métropole was very satisfied with the results, and said that it would continue along these lines.

Association des agences de publicité du Québec

The Association does not understand what the Working Group is trying to achieve, and wonders whether it is possible or desirable for traditional networks to have a well-defined personality in the way that radio stations do. It feels that the problem is really a financial one and must be examined from that perspective.

Emphasis must be placed on programming research, and both viewers and advertisers must be provided with a value-added product. Television must be promoted to buyers, who see it as a "grab bag."

The Association feels that to counter purchasing decisions based on criteria set in Toronto or even Chicago, further effort is needed to increase awareness and toil regional marketing.

The Role of the Agencies

Telefilm Canada

Telefilm responded to the invitation from the Working Group by sending its Executive Director to one of the meetings. Telefilm feels that its 1992-1993 Action Plan reflects the needs of the industry and does not think that there are serious problems between Telefilm and the conventional broadcasters. Because its operations are based on letters of commitment signed by broadcasters, Telefilm must adapt to their orientations. In addition, if a broadcaster signs letters of commitment for more productions than it can hope to air, Telefilm draws up a list of priorities, always in conjunction with the broadcaster. Telefilm also considers it perfectly normal to have the right to review the script and other aspects of the production, given the investment that is expected of it.

Broadcasters have emphasized how important it is for players such as Telefilm to take part in any industrial strategy project, particularly since the industry is trying to harmonize its programming schedules, and the conventional networks are specializing a little more in certain types of programming (target audience, treatment and so on).

Telefilm noted that it has always made a point of being aware of industry orientations, and that its annual Action Plan is the result of intensive consultations with all sectors of the industry.

Some members of the Working Group questioned Telefilm's consultation process, which they find lengthy and slow to react to changes in the industry, and the broadcasters expressed a desire for a more flexible consultation mechanism between broadcasters and Telefilm. Telefilm expressed its willingness to meet with broadcasters at their convenience and offered to schedule two such meetings as part of its annual planning process. It noted that its room for manoeuvre was limited, however, since 85 per cent of the funding requests by producers and broadcasters this year involved series renewals, leaving only 15 per cent for new projects.

Société générale des industries culturelles

The Working Group had expressed the wish that SOGIC would send a representative to its proceedings, as Telefilm had done, but SOGIC indicated that, although it was willing to meet with working group members on an individual basis, it did not want to participate officially in a Working Group set up by the federal government.

It was therefore agreed that if the members still considered it worthwhile to state their opinions on SOGIC's possible role in the development of an industrial strategy, the Working Group (or industry representatives) would forward these directly to the Minister responsible for SOGIC.

The Importance of Regional Broadcasters

Radio Nord, supported by COGÉCO, stressed the important role played by regional stations at the local level in terms of their active participation in the various networks. They noted that this support must not be overlooked in any strategy development, particularly regarding funding.

Policy and Regulation

In the second part of its proceedings, the Working Group discussed a number of issues, and the following items summarize what was said on each of the points.

The *Broadcasting Act*

A number of opinions were expressed; some questioned whether the "new" act was still relevant, while others felt that it was so exhaustive that it hampered initiative and imposed a form of supervision. Others thought that the current structure of the Act sanctioned unwarranted interference by the CRTC in licensees' operations and that the CRTC should oversee, rather than manage, the broadcasting system. Finally, some members felt that the current period should be seen as a transition between the objectives of the old Act and those of the new.

In spite of the variety of opinions, however, a consensus did emerge that, more often than not, legislation and regulations are out of step with the realities of the industry and that there should be more flexibility and less heavy-handedness.

Public Funding

Télé-Métropole repeated its support for Radio-Canada's request for a multiyear budget, provided that the Corporation withdrew from certain types of advertising and/or reduced its advertising time from 12 to 8 minutes an hour. Radio-Canada, however, stated that it had never made a proposal to reduce its advertising time, and COGÉCO stressed the importance of maintaining Radio-Canada's current commercial situation in order to ensure the survival of its regional affiliates.

New Services

In general, the Working Group feels that development of new services should be viewed with prudence and caution. Some members noted that the production and broadcasting sectors are in a state of flux, and raised the possibility of the conventional networks' developing new services in order to compensate for potential losses of viewers.

The Association des agences de publicité said that broadcasters must allow advertisers to target their audiences better and provide them with a value-added product.

In Summary

Broadcasters have to develop their own personalities in a very competitive market.

All broadcasters expressed a willingness to work together to develop French-language services on a positive, priority basis, and explore opportunities for synergy at the international level.

Many broadcasters felt that any corporate or industrial strategy must include the contribution of internal staff.

Radio-Canada feels that it has reached a maximum threshold for advertising revenue and is currently reviewing its overall strategy; more information will be provided later. It also noted the importance of the Corporation's advertising revenues to its regional affiliates. Some members felt that if they had to compete with public television networks with two sources of revenue, it would be appropriate to examine what types of commercials those networks could or could not carry.

Telefilm will include two annual meetings with broadcasters in its consultation program.

The Working Group would like the legislative and regulatory framework to reflect the reality of the industry and to emphasize a role involving flexible oversight rather than rigid control.

As a result of the present exercise, the industry has decided to meet twice a year to discuss current issues. The first meeting is scheduled for October 1992. Jean Fortier agreed to co-ordinate the meeting, which will bring together all interested parties, including agencies, producers, broadcasters and perhaps even marginal partners such as TVOntario/"La Chaine."

Working Group Members

Co-Chairs

Jean Fortier, ACRTF

Gérard Veilleux, Radio-Canada

Members

Alain Plante
COGÉCO

Guy Gougeon
Radio-Canada

Alain Pineau
Radio-Canada

Micheline Vaillancourt
Radio-Canada

Gilles Poulin
Radio Nord

Françoise Bertrand
Radio-Québec

M. de Bellefeuille
Radio-Québec

Michel Chamberland
Télé-Métropole

Charles Bélanger
Télévision Quatre Saisons

Gilles Pilon
Météomédia

Clément Richard
Météomédia

Michel Arpin
Musique Plus

Jacques Boucher
Réseau des Sports

Gérald Janneteau
Réseau des Sports

André Bureau
Super Écran/Canal Famille

Pierre Roy
Super Écran/Canal Famille

James Baer
TV5

Louise Baillargeon
Association des producteurs de film et de télévision du Québec

Suzanne D'Amours
Association des producteurs de film et de télévision du Québec

Joseph Mullie
Association des agences de publicité du Québec

François Coté
Fédération des réalisateurs

Robert Armstrong
Telefilm Canada

André Dubois
Department of Communications

Denis Gratton
Department of Communications

Richard J. Paradis
Le Groupe CIC

Report on incentives for Canadian independent television production

Premise

The Canadian independent film and television industry is a dynamic source of tens of thousands of jobs across Canada; an important purveyor of culture to Canadians and to the world; and the source of significant export revenues. However, in the world marketplace, even though the Canadian industry is competitive, it suffers from the drawbacks of an insufficient capital base and a small domestic market. A policy of government assistance programs has been consistent for over twenty years and has been very effective in sustaining growth in the industry.

Unfortunately, one of the programs that has been instrumental in maintaining the industry at its present level, the federal Capital Cost Allowance (CCA) incentive for Canadian film and television production, is no longer working well for several reasons, as described in the enclosed material (Section III).

In addition, many other sources of production financing have been declining over the last few years. Steps are urgently needed or Canadians could lose both their ability to reflect their cultural identity adequately over the air waves and their competitive position in the international program production marketplace.

We believe that it is vital that the federal government review the present program in the light of the current economic realities of the industry with a view to modifying or replacing the CCA program. We believe that a revised program can be more cost effective, culturally positive and financially rewarding to Canada.

This report sets out the context for such a review and some guidelines for the modification or replacement to achieve the objectives.

Assumptions

1. Federal government policy is to maintain incentives for an industry which:

   a) is labour intensive;

   b) has major concentrations in each of Canada's largest metropolitan centres, Vancouver, Toronto and Montreal, as well as a significant presence in other regional centres including Calgary, Edmonton, Saskatoon, Winnipeg and Halifax;

   c) provides significant export earnings;

   d) provides one of the principal vehicles through which Canadians communicate with each other and with the rest of the world;

   e) gives opportunities for thousands of Canadians to develop their artistic expertise and excellence; and,

   f) encourages individual and corporate entrepreneurship on national and international levels.

2. In 1988, the federal government released a very extensive policy statement with respect to broadcasting. Among other things, this policy statement provides that:

   a) The primary goal of the Government is to have a wide choice of domestic programming, which Canadians will choose to watch. Therefore, if the independent production industry is to play a role in this objective, they must be able to operate on a continuing basis and have a secondary goal of being able to attract investment capital.

   b) In addition to other types of programming, there must be an adequate choice of popular Canadian drama available throughout the country, in both official languages, from private as well as public broadcasters.

   c) If Canadian drama programming is to be fully competitive against imported product, it is likely that revenues will fall short of costs. Therefore, continued government financing is essential.

   d) Government financial assistance to independent production is a crucial element in Canadian programming, especially drama and variety. One of the main support instruments is the enhanced Capital Cost Allowance. Recent changes, as a result of tax reform, have reduced the absolute level of Capital Cost Allowance available. This incentive, together with others, will continue to help sustain the broadcasting industry and to provide realistic returns on the production and exhibition of Canadian drama, variety and documentary productions.

3. Despite the increasing success of some independent production companies and specific productions in the international marketplace, the Canadian broadcast marketplace remains heavily dominated by U.S. programs. Accordingly, Canadian independent producers must remain dependent on a multiplicity of financing sources, and a significant portion of financing has to be provided through

government sources. Even the successful involvement of Telefilm Canada has inherent limitations, since they exercise intense creative control. In an internationally competitive marketplace, Canadian independent producers must have sufficient flexibility in securing financing even when Telefilm is not prepared to invest.

4. The combination of a more expensive Canadian dollar (increased by over 20 per cent since the mid-1980s) and restrictions in the availability of financing from the international marketplace has made it even more important to have domestic financing available on a secure basis. Canadian independent producers have always relied heavily on private Canadian incentive-based sources to complete the financing of projects even when Telefilm is involved. Even a modest short-fall often will result in cancellation, since each element of financing is contingent on the total budget being covered. The only real area of flexibility is that of the producers deferring their fees, and this has the negative impact of diluting the ability of Canadian independent production companies to build up their internal resources to handle partial financing when needed. Furthermore, there are even fewer financial institutions, whether in Canada or elsewhere, that are prepared to provide deficit financing without the kinds of collateral security that Canadian independent producers seldom have access to.

5. The reduction in CCA rates by the Department of Finance (100 per cent to 30 per cent), combined with some increasingly restrictive interpretations by Revenue Canada of the ***Income Tax Act and Regulations*** relating to film and television productions, has greatly reduced the attractiveness of the incentive and therefore the level of investment in the industry from the private sector.

6. The primary goal of any incentive must be to build an industry through assisting production companies to operate on a continuing basis. The use of an incentive to attract investment from the private sector is a secondary goal, which is best achieved by creating an environment in which the production companies will flourish and thus attract funding from the investment community on their own merits as successful enterprises.

7. The explosive growth in the number of television services worldwide has not only resulted in an increased demand for programming but, particularly in Europe, has focused respective governments' strategies on encouraging their domestic industries to produce for their own and the world market rather than just accepting the hegemony of U.S. programming. Canadian producers, through their access to our web of co-production treaties, have been quite successful in taking advantage of this unique position. Co-venturing or co-producing with foreign producers creates programs that combine the North American influence that Canada brings with the sensibilities of these other countries. Thus, Canadian producers have increasing access to a burgeoning export market but, due to their own limited resources, they find it impossible to maximize the potential of this great opportunity.

Since the capital currently available to the system for Canadian producers is insufficient, unless some growth can be stimulated, Canada's proportionate share of the world marketplace will decrease, as this marketplace grows but our Canadian production financing capacity does not. This situation will be further exacerbated by the already extensive U.S. dominance, by the continuing struggle for scarce funds among all Canadian producers within a harsh world economic climate, and by the differences between Anglophone and Francophone producers' requirements.

Defects in the Present Federal Incentive System

1. For many years, the federal government's position on the film and television production industry has been one of assisting the industry by permitting Capital Cost Allowance on certified Canadian productions to be exempt from the leasing rules under the ***Income Tax Act***. However, the government seems not to recognize that this incentive cannot be looked at in and of itself alone, but must be considered in the context of the investment structures necessary to make it sufficiently attractive to investors.

Investment in film and television production is high risk — and, even when there are rewards through successful exploitation, these are usually received several years later. This is particularly true in television, where any significant profit arises from the syndication market that follows at least four to five years after production. If government policy is indeed to assist the industry by providing an incentive to investors, that incentive has to work. The structure of an investment utilizing the incentive must allow the investor some kind of return. For instance, looking at the most recent structures (1991), at a 30 per cent Capital Cost Allowance rate, the only way a structure can provide such a return is through the use of leverage in order to increase the base upon which the CCA is calculated. However, in each of the last three years, Revenue Canada has considered each successive structure as being unacceptable with the most recent indication coming in December 1991 based on an opinion from the General Anti-avoidance Rule Committee (GAAR). As a result, it has now become almost impossible to attract investors except under very specific circumstances, thus drastically reducing the potential funding available for the industry using this incentive; and today few Canadian producers are in a position to utilize even the 30 per cent CCA to offset their own taxable income.

2. Since the reduction in the CCA rate from 100 per cent to 30 per cent, only 50 per cent or less of the actual cash raised from investors, net of any revenue guarantee arranged by the producer and realized from investment structures, actually flows to the producer.

Assisting production using the income tax system through incentives to investors requires producers to find and sell to such investors. As the Department of Finance changes rules (reducing the CCA rate from 100 per cent to 30 per cent) and Revenue Canada re-interprets the Act, increasingly complex legal structures are required to maintain any incentive at all for investors. This complexity also makes the sale to investors more difficult and results in higher levels of costs both in terms of professional advice (lawyers and accountants) and the cost of brokers to sell the offering.

In addition, the present system makes it almost impossible for producers with limited resources and/or who do not operate in the major financial markets to access any investor funds using the CCA system.

3. The current incentive does not encourage control of distribution rights to film or television productions by Canadians.

One of the major strengths of the U.S. film and television industry is its control of distribution rights, not just in the United States but worldwide. The Capital Cost Allowance treatment for qualifying film and television production is the same whether productions originate in the U.S.A., with

producers who then produce these productions with Canadians but retain control over distribution, or whether they are truly Canadian-originated productions. U.S. producers, particularly the major studios, have far better access to U.S. and foreign distribution than almost any Canadian producer/distributor. As a result, Canadians are often at a distinct disadvantage. As well, the longer-term benefits of the distribution revenues being earned by a Canadian-owned and -controlled company are lost, as are the tax revenues to Canada from that income stream.

4. Simplification of the present system would help producers in the current environment of increasing complexity in their financing production.

The typical television program produced in Canada today has financing that includes a Canadian broadcaster (or sometimes more than one), a U.S. broadcaster or partner, a foreign sales agent, and maybe, in addition, a foreign co-producer and/or Telefilm, and probably a bank to discount some or all of the contracts. When all of the legal requirements of these entities are added to those of an investor group, which has at least two sets of lawyers (one representing the general partnership and the investors and one representing the broker), the levels of complication are raised far more than they would be if the producer were able to retain all of the ownership and distribution rights and to realize any benefits from government incentives directly.

Parameters of an Appropriate System

Purpose of the Incentive

Any mechanism should reflect that the purpose of the incentive is to make funds available for Canadian production companies and to develop the product needed by the Canadian broadcasting industry to fulfill its conditions of licence. It should not be intended necessarily to provide product for the financial marketplace, but rather to ensure that the maximum amount derived from the incentive is made available to serve its primary purposes.

Definitions of Eligibility

1. ***The financial and creative control of productions must be held by Canadian independent producers.*** This requirement is not meant to preclude normal approvals on financial and creative matters as required by non-Canadian licensees and/or distributors comparable to the approvals that even Canadian licensees and/or distributors exercise. Such rights are necessary, particularly in an industry where the funding for any given project is derived from a number of sources, all of whom have the right to exercise some degree of approval in return for the money that they are providing. The present rules as set out in the Regulations of the ***Income Tax Act are adequate and appropriate.*** However, there must be recognition, by whatever certification process is utilized, of the industrial realities of dealing with foreign licensees and distributors. There must be consistency in the approach taken in interpreting such approvals as being "in the normal course of business of the industry," within the meaning of the Regulations.

Two new requirements that could assist in maintaining Canadian control would be that copyright ownership be in Canadian hands and that a Canadian producer, even in a situation where the rights to a project (film or series) are acquired from a non-Canadian, retains some or all of an interest in any continuing rights for the production of sequels, spin-offs or additional episodes.

2. ***Canadian producers should have optimum control over distribution rights.*** Identifying the rights as being over three areas, Canada, U.S. and foreign; the Canadian producer or distributor should hold rights for any or all of these areas, but at least Canada. Also, if U.S. or foreign rights are not planned to be held by a Canadian entity, they must not be held by the same or related foreign entity. If the rights were required to be so split, Canadian producers would have a much better ability to negotiate with potential partners and, when appropriate, they could have the opportunity to exploit some of these revenue-generating rights themselves.

3. ***Eligible productions must attain a specific level of Canadian content.*** The present certification rules (with minimal changes) have existed since 1974 and have been successful generally in balancing industrial requirements with cultural needs. The only modification of the current rules that might be appropriate now would be to allow a sliding scale so that the more intensely Canadian a production is, the higher the benefits earned.

4. ***Assistance should be provided only to independent producers and production companies who are sufficiently independent of a broadcaster.*** Some broadcasters have been and/or would like to be producers. Since broadcasting is a regulated industry with restricted access, independent producers cannot compete with broadcasters who are also producers. However, it is recognized that situations exist where broadcasters already have interests in production companies, or vice-versa; and there is no reason to discourage these relationships. Accordingly, for the purpose of this provision, in any relationship between a broadcaster and an independent production company, where the broadcaster owns no more than a specific minority equity position (without control) in the production company, the production company should be deemed to be "independent."

5. ***Eligibility of a project must be determined on objective criteria set out in published form.*** These criteria must be easily measurable and should not lend themselves readily to manipulation. The present rules do fulfil these criteria.

Once eligibility has been determined (see number 8. 3), the calculation of the benefit should be based on a formula the components of which are also easily determinable, and do not lend themselves readily to subjective interpretations.

These criteria should not contain any requirement for investment by federal or provincial public agencies (e.g., Telefilm). This should be an industrial incentive. Government funding agencies have different agendas influenced by mandate interpretations, and the lack of investment from them should not deter any appropriate commercial decision to produce.

6. ***Access should be provided to any drama, prime-time documentary, recorded variety or children's program produced in any language.*** These are the programs produced by the independent sector that are most commonly licensed to Canadian broadcasters and that the broadcasters in turn need for their CRTC content requirements. These program areas are recognized as priorities by the Government.

Delivery Mechanism

1. ***Incentives should provide cash flow as directly as possible to the production company.*** This also implies as simple a mechanism as possible in order to eliminate the expensive professional requirements that go along with complex structures. The more intermediaries (lawyers, accountants, brokers) who are necessary, the less direct benefit is available to the production. Also, by reducing or eliminating such intermediaries, increased benefits can be provided to producers at a lesser cost to the Government. Even though the benefit is based on a particular production, the flowing of the benefits directly to a production company will build corporate financial strength in production entities.

2. ***The system should utilize a provisional approval process.*** Since the funding for production from private investors is dependent on the successful placement with those investors, its timing cannot be relied upon for production funding. A more useful structure would permit an approval process before production and allow the banking of at least some portion of the benefit, so ensuring that some of these funds are available during production.

Currently, the benefits to producers from the present federal incentive are realized by means of private investors. Part of the process of completing these arrangements is the receipt of a provisional approval from the Canadian Audio-Visual Certification Office (CAVCO) respecting the eligibility of the production for CCA purposes. Other sources of funding (e.g., the Ontario Film Investment Program) also require such provisional CAVCO approval before issuing their own provisional approval, which allows for bankability by the producer. Any revision of the present federal incentive system or a new mechanism should contain a system of official provisional approval so that the incentive is readily bankable. This way, some or all of the anticipated benefit from the incentive could be available during the production process as the producer exercises this bankability feature. Such a feature is particularly necessary given current production company difficulties with banking arrangements for program production due to their thin capital base.

Administration

1. ***The administration of any benefit must be able to be handled by a bureaucracy that will recognize only objective criteria and not attempt to apply subjective measurement.*** For instance, Telefilm would only be acceptable if it administered such a program in a totally objective manner and at arm's length from its other funding programs, which each have clearly established policies that apply subjective criteria. The current CAVCO administration could be an acceptable bureaucracy to continue to provide the certification required.

2. ***Any incentive should be complementary to provincial incentives*** including those in Quebec, Ontario and British Columbia. Although the incentive does not have to be similar to, or a variation of, any other existing incentive program currently available in Canada, an adaptation of a current program, or an incentive that is analogous to incentives in other industries would probably be more easily understood in the production and financial community, as well as being more easily interpreted for federal government approval.

3. ***A new delivery mechanism may be appropriate,*** and we can conceive of a variety of delivery mechanisms that could meet the criteria identified in this paper:

   a) a refundable investment tax credit (RITC);

   b) a reconfiguration of the existing capital cost allowance (CCA) program; and,

   c) direct funding through a new, independent, not for profit, industry/government-run financing and marketing corporation.

Summary

Canada's independent production industry has demonstrated a strong capacity for producing Canadian television programs that have wide appeal in our domestic broadcast market and compete effectively around the world. Although the domestic base is not large enough for Canadian programs to have been able to recoup much more than 30 per cent of their cost in Canada to date, the industry hopes that new developments may improve that figure in the future. Meanwhile, producers must continue to rely upon foreign partners and presales for a substantial portion of their production budgets. The lack, generally, of a significant, stable, corporate financial base of Canadian independent producers is a disadvantage in these necessary international deals and will continue to compromise the Canadian elements of a production.

In the context of the new industrial strategy for Canada's communications sector, called for in Phase II of the Television Summit, it is apparent that a vital, entrepreneurial, Canadian independent production sector is essential to provide Canadian television with the range of quality Canadian content programming required to compete successfully with the non-Canadian services available to Canadians.

From the foregoing material, it is apparent that the current federal incentive is not as effective as it could be in delivering the optimum amount of dollars to the Canadian production industry at the current cost to the Treasury. A modification of the current system or a new system should be implemented, which will be more efficient in delivering the benefits and, with the modifications suggested, further strengthen the hands of Canadian producers in ensuring the maximum level of Canadian content in the programs they produce. It is apparent that the ideal incentive for federal assistance in the financing of independently produced Canadian film and television productions is one that is widely accessible, relies upon objective criteria and involves only the most limited requirement for the involvement of third parties for the production company to access the benefit.

We recognize that it is the responsibility of the federal government to design and legislate the most effective system of delivering the benefit whether it be the modification of the current Capital Cost Allowance benefit, a tax credit or a grant or subsidy administered by an industry-run corporation or through any of the departments that are responsible for various aspects of the industry, including Communications, Employment and Immigration and Industry, Trade and Commerce. The Canadian Film and Television Producers Association is prepared to work with the Government in designing the appropriate delivery mechanism and to further substantiate to the Government the benefits to Canada, economically and culturally, of a healthy independent Canadian film and television production industry.

Task Force Members:

Mr. Dale Andrews
Western International Communications Ltd.

Mr. Charles Bélanger
Télévision Quatre Saisons

Mme Françoise Bertrand
Radio-Québec

Mr. André Bureau
Astral Communications

Ms. Micheline Charest
Cinar Films

Mr. Peter Elwood
Lever Brothers Limited

Mr. Charles Falzon
Catalyst Entertainment

Mr. Jay Firestone
Alliance Communications Corporation

Mr. Richard Lafrenière
Groupe Cossette

Mr. Tod Lodrigham
Department of Communications

Mr. Michael MacMillan
Atlantis Films Limited

Mr. Guy Mason
Department of Communications

Mr. Ira Matathia
Chiat Day Mojo Inc. Advertisers

Mr. Michael McCabe
Canadian Association of Broadcasters

Mr. David Mintz
Global Television Network

Mr. Tom Petty
CTV Television Network

Mr. David Perlmutter
Velvet Star Productions

Mr. Allen Pineau
CBC/Société Radio-Canada

Ms. Lorraine Richard
Cité Amérique

Mr. Kevin Shea
YTV

Report on access by pay-TV to Telefilm Canada funding

February 27, 1992

The Honourable Perrin Beatty, P.C., M.P.
Minister of Communications
Department of Communications of Canada
300, Slater Street, 20th Floor
Ottawa, Ontario
K1A 0C8

Dear Minister,

I am writing to inform you of the results of the Working Group on Pay Television established in relation to the Television Summit. The Working Group held meetings on January 9 and February 5 to consider alternatives whereby pay television could access Telefilm funding. What follows is a review of the events leading to the formation of the Working Group and a report of its conclusions.

The Television Summit, held in Montreal on December 9-10, 1991, provided an opportunity to examine the Girard-Peters Report of the Task Force on the Economic Status of Canadian Television. One of the Task Force's recommendations was as follows :

> Telefilm should continually explore ways to tap into the industry's programming demands to meet target and quality program objectives. One way would be to enable pay television to access the Feature Film Fund.

Prior to the Summit, two of the five Working Groups created in preparation for the Summit considered this recommendation.

The Working Group on Programming and Financing could not agree on the part of the recommendations, which proposed that pay television have access to the Feature Film Fund. However, this Working Group did suggest that Telefilm Canada and all broadcasters acknowledge pay television as representing a small but increasingly important window in an orderly Canadian marketplace.

The Parallel Francophone Committee pointed out that television movies are not eligible for financing under the Feature Film Fund. There was consensus that the wording of the recommendation should be amended to read " One way would be to enable pay television to trigger the Canadian Broadcast Program Development Fund," but there was no final consensus on the recommendation itself.

Subsequent to the deliberations of all of the Working Groups, on November 25, 1991, the Television Summit Steering Committee proposed that Telefilm Canada chair a Working Group composed of representatives from the Canadian Association of Broadcasters, l'Association canadienne de la radio et de la télévision de la langue française, the Canadian Broadcasting Corporation, pay television broadcasters, specialty television broadcasters and producers to look at mechanisms for licensed pay television broadcasters to access the Funds at Telefilm. The Working Group was asked to report its conclusions to you by February 29, 1992.

This undertaking was confirmed on the first day of the Television Summit.

The Working Group on Pay Television held two meetings, and its members are identified in Appendix I.

The Working Group decided at the outset to limit its deliberations to access regarding the Canadian Broadcast Program Development Fund. With the exception of the pay television representative, the members of the Working Group agreed that the Broadcast Fund should continue to target television programs destined for large Canadian audiences.

Except for the Canadian Association of Broadcasters and pay television, there was agreement among the members of the Working Group to allow pay television complete access to the Broadcast Fund as long as all of Telefilm's existing policies and procedures are respected. This would mean that a project with a presale to a Canadian pay television licence would be eligible for access to the Fund, whether the presale was alone or accompanied by a presale to another Canadian television service, provided the project fulfils all of the policies and procedures applicable to conventional or specialty television services. Telefilm Canada's existing rule, to the effect that only those projects in which pay television services provide less than one-third of the Broadcast Fund's total licence fee requirements are eligible for financing (the 1/3-2/3 rule), would be abolished.

The majority of the members of the Working Group considers that this change would offer a significant opportunity for pay television licensees to participate in projects with access to the Broadcast Fund, an opportunity that will increase over time as pay television subscriber penetration levels rise and pay television contributes more to the financing of Canadian production.

However, the Canadian Association of Broadcasters (CAB) considers that the proposal goes too far. The CAB is opposed to the principle of allowing a project with a presale to pay television to obtain access to the Broadcast Fund, unless this presale is accompanied by an additional presale to a conventional or specialty service. The CAB is not opposed to the abolition of Telefilm Canada's 1/3 - 2/3 rule as it applies to pay television, but continues to believe that pay television does not reach sufficiently large audiences to justify allowing it to trigger Broadcast Fund projects by itself.

Pay television, on the other hand, considers that the proposal does not go far enough. Not only does pay television wish to see feature film projects (of 75 minutes or more) with presales to its pay licensees given access to the Broadcast Fund, but it wishes to see a licence fee policy that would give special consideration to such projects in the form of lower licence fee requirements. Pay television says that, without such a policy, the proposal is not meaningful. Pay television licensees, such as First Choice and Super Écran, do not reach large enough audiences to enable them to pay the licence fees required to access substantial amounts of funding from the Broadcast Fund, if the existing licence fee requirements for feature films made for television are retained. The Working Group has been asked to forward a letter to you on behalf of Astral Communications, a copy of which is attached.

To summarize, a majority of the Working Group on Pay Television recommends that the Minister of Communications agree to amend the Memorandum of Understanding between the Canadian Film Development Corporation (Telefilm Canada) and the Minister to allow pay television access to the Broadcast Fund on the same terms and conditions as those applied to conventional or specialty television services.

It is the hope of this Working Group that the foregoing report will contribute to the objectives of the Broadcast Fund and the well-being of Canadian television.

Yours truly,

Robert Armstrong
Chairman
Working Group on Pay Television

February 24, 1992

Mr. Robert Armstrong
Telefilm Canada
600 de la Gauchetière West
14th Floor
Montreal, Quebec
H3B 4L2

Dear Rob,

Astral represents the pay television services, First Choice and Super Écran. Allarcom Pay Television, which owns the pay television service Superchannel, also shares the views expressed in this letter.

The proposal submitted by Telefilm representatives on February 5 reads as follows:

"Proposal:

> Allow pay television to have access to the Broadcast Fund as long as all of Telefilm's existing policies and procedures are respected (i.e., ***existing licence fee requirements will ensure that only those projects which target large audiences will be considered***)." (our emphasis)

As has been discussed with Telefilm representatives, the pay television licensees reach, by the very nature of their service, a relatively small audience. It follows, therefore, that the pay-TV licensees will never, in fact, be able to obtain access to the Telefilm Broadcast Fund because they will not meet the criterion of "those projects which target large audiences."

Moreover, because they reach such a relatively small audience (as shown in the audience numbers provided to Telefilm), the pay-TV licensees cannot afford to pay the "existing licence fee requirements." This point was made to the Task Force at the beginning of the discussions in January.

Pay-TV licensees requested access to Telefilm's Broadcast Fund only for "Telefilms" or "made-for-TV films." The pay-TV services need this category of program, while this category seems to generate little interest from conventional broadcasters. (Incidentally, the European market is already a fantastic market for this category of programs. Co-production projects with European producers and broadcasters of "telefilms" or "made-for-TV films" are numerous, as Telefilm and Canadian producers know). Pay-TV licensees believed that, if this category of programs deserved support from Telefilm, they were prepared to trigger the Broadcast Fund, provided that licence fee requirements would be established at a level, which took into account their potential audience and revenues (as Telefilm does for regional broadcasters, documentaries and children's programming, for example).

Since Telefilm's February 5 proposal would require the "***existing licence fee requirements,***" it becomes totally unrealistic to believe that pay-TV licensees will, in fact, ever be able to access the Broadcast Fund, despite the "technical" opening suggested by the above proposal.

For these reasons, the pay-TV licensees cannot endorse Telefilm's proposal.

Yours sincerely,

André Bureau

Working Group on Pay Television

Participants

Name and Title	*Sector*
Robert Armstrong Director, Policy, Planning and Research, Telefilm Canada	Chairman of the committee
Louise Baillargeon Directrice générale Association des Producteurs de films et de télévision du Québec (APFTQ)	Independent producers
André Bureau Président-directeur général et vice-président du conseil Les Communications Astral Bellevue inc.	Pay television
Micheline Charest Présidente, Cinar and Vice-President Canadian Film and Television Production Association (CFTPA)	Independent producers
Michel Chamberland Vice-président, programmation Télé-Métropole inc. et représentant de l'Association canadienne de la radio et de la télévision de langue française (ACRTF)	French-language broadcasting
Thomas Howe Director of Independent Production, Acquisitions, Co-Productions and International Sales CBC	Canadian Broadcasting Corporation
Peter Katadotis Director, Production and Development Telefilm Canada	Telefilm Canada
Kevin Shea President, YTV	Specialty services
Arthur Weinthal Vice-President, Entertainment Programming CTV, and Representative of Canadian Association of Broadcasters (CAB)	English-language broadcasting

Substitutes

Name and Title	*Sector*
Jocelyn Deschênes Chef des productions extérieures Télé-Métropole (replaced Michel Chamberland for the meetings of January 9 and February 5)	ACRTF
Rob Scarth Director of Television Canadian Association of Broadcasters (replaced Arthur Weinthal for the meeting of February 5)	CAB

Report on marketing and advertising

Mandate

The Television Summit held in Montreal on December 9 and 10, 1991 focused on a broad range of issues dealing with:

- recommendations from the Girard-Peters Task Force on the Economic Status of Canadian Television; and,

- the development of a framework for an industrial strategy for the broadcast industry.

In Phase I of the Summit, the industry addressed the three principal recommendations of the Girard-Peters Task Force report pertaining to marketing and advertising and endorsed the strategy developed by the Television Bureau of Canada, which is designed to assist the Canadian television industry to maximize its potential as a vital advertising medium.

At the Summit meeting in December, the Minister also indicated his intention to offer TVB financial support for research and development projects similar to what is already being extended to Advanced Broadcasting Systems of Canada (ABSOC). Some of the financial support should go to assist in a better study and understanding of the Montreal (Quebec) market.

In the Girard-Peters Task Force report, the advertiser and agency groups submitted briefs, but they were not directly involved in the Marketing and Advertising sub-committee in Phase I of the Summit. Phase II of the Summit process must rectify this oversight. The Marketing and Advertising Working Group will:

1. Review and re-affirm the key strategies of the TVB Long Range Plan that relate to the development of an industrial strategy for television.

2. Obtain the opinion and input of the advertising community (advertisers and agencies) on the following factors relating to advertising revenues:

- advertising forecasts,
- advertising effectiveness,
- audience measurement, and
- customer information research.

3. Examine the revenue components of the broadcast system to determine new sources of potential funding for the system.

A. Overview of TVB's Long-Range Plan Related to the Development of an Industrial Strategy

Repatriate Tuning for Local Canadian Stations

1. Simultaneous substitution is an important tool to the Canadian television industry in maximizing audiences and advertising opportunities, and must be maintained.

2. The principle embodied in simultaneous substitution needs to be extended to include non-simultaneous substitution (NSS), which would provide local broadcasters better protection of the program rights they secure for their markets.

3. NSS would increase viewing time to local Canadian television stations by repatriating audience viewing to distant stations and provide Canadian broadcasters with greater program scheduling flexibility.

4. The authorization of foreign services containing advertising must be resisted as they will only contribute to the reduction in the advertising opportunities for Canadian advertisers.

Bill C-58 Enforcement

1. Section 19.1 of the ***Income Tax Act*** (Bill C-58) was introduced to stem the flow of Canadian advertising to U.S. publications and U.S. border broadcasters.

2. Evidence of non-compliance with C-58 can be attributed to a lack of awareness among some Canadian advertisers of the provisions of the Act and to the difficulty of demonstrating whether the advertiser's intent is to reach a Canadian or U.S. audience by advertising on a U.S. station or publication.

3. Revenue Canada indicates that it will begin to closely monitor advertiser compliance with Section 19.1 for non-compliance and that it will initiate a process to increase the level of awareness of the provisions of the Act with the Canadian advertising community.

Inventory Control and Pricing

1. introduction of a Canadian Market Planning Guide (quarterly),

2. Yield Management implementation projects, and

3. Montreal test of Pacing Reports.

Advertising Effectiveness

1. TVB has purchased the landmark analysis of advertising effectiveness entitled "How Advertising Works" conducted by Information Resources Inc. Results were presented to the industry in March 1992. Excerpts from the study are being used extensively in a series of informational mailings to advertisers, agencies and broadcasters.

2. Effectiveness is a dynamic and multifacetted quality that requires case histories, success stories and research from both original and secondary sources in order to provide advertisers with the rationale to choose television advertising over other forms of media and promotion expenditures.

Audience Measurement

1. The fundamental issue for television in the 1990s, in the opinion of the advertisers and agencies, is the accurate and continuous measurement of television audiences.

2. Any model of the broadcast system that involves advertising revenues as a source of funding must provide for the capability of measuring the audience to that program or time block. In the view of the advertiser and agency community, that "***ACCOUNTABILITY***" can be achieved principally through an electronic measurement system.

3. It is unlikely that electronic measurement in its current form will be economically viable for ***ALL*** markets in Canada. Short-term solutions based on meter and diary measurement, and long-term solutions based on electronic measurement must be developed.

Customer Information Research
(Product/media usage, psychographic data)

1. Qualitative research that provides useful, in-depth information on product media relationships and secondarily, psychographics, add to the targeting dimension of television buying and selling. This will enable more product differentiation of television and reduce the singular focus on Cost per print (CPP) and Cost per minute (CPM) (commodity buying).

Administrative Automation

1. The commercial side of the television business is still largely a manual process that is labour intensive and often inefficient. Most national clients and even some advertising agencies find the media buying process so specialized that they would prefer not to become involved. Automation and standardization should not only lower costs but also enable most organizations to take a more active role in the media decision and the buying and evaluation process.

Sales Training

1. In order to compete with the other media and properly serve the advertiser and agency community, the television industry must invest more in marketing and sales training at both the local and national levels.

B. Opinion and Input of the Advertising Community

Thirty-eight people, representing many sides of the industry, contributed to six "focus group" meetings in Montreal and Toronto. While no consensus was reached, the following notes capture the essence of the opinions expressed during those meetings.

Forecasting of Advertising Revenue

The major media should include TV, radio, newspapers including flyers, magazines, Out-of-home (including in-store):

- Each medium should be broken into local and national spending. Do not include production or materials, but track them separately to facilitate intermedia comparison. Production costs could shrink in future due to importation of creative. Use net numbers: gross spending is easily estimated.
- We should also begin to track spending on complementary and non-traditional media including program rights, media sports rights, syndication costs, sponsorships, hand delivered circulars, and directories. Direct media are critical components of the media mix, but only third class mail is easily tracked. Electronic couponing has great growth potential as it is highly targeted, being based on actual purchase.

- Expenditures or share of voice data by medium, by category, by brand is very valuable information, needed by retailers on a next-day basis.

Structural changes and new developments are on the horizon: the next ten years will be very different from the last ten, and it will be very difficult to predict the future based on the past:

- ***Retail spending:*** Ad spending is volume driven and therefore drops with volume, and image advertising becomes expendable. The dominance of retail grocery chains and fewer trading entities through mergers mean less ad spending.
- ***Canadian constitutional issues:*** Until constitutional issues are resolved, advertising spending by international advertisers will be uncertain.
- ***North/south:*** As Free Trade shifts manufacturing, ad planning, production and buying may also be shifted. Profit objectives of U.S. subsidiaries are in $US, are not negotiable, and directly impact media dollars with fluctuations in currency. Cross-border shopping deflates retail sales and therefore spending.
- ***Fragmentation:*** The Direct Broadcasting System (DBS) threatens the current system. However, satellite services still must buy programming, and there are severe limitations in supply. Further, by segmenting programming, you limit your audience size. Advertising cannot fund several hundred channels, ***so support must come from subscribers***. The current cost of equipment plus monthly subscription is a barrier, but volume will bring the prices to approach parity with cable.

  New speciality channels, as a defense against international DBS, may facilitate more definitive targeting, but they do not expand the revenue pie. Advertisers expect that more U.S. specialty channels will be offered to more homes by cable companies, and the fragmented audiences will be harder to measure.

  There is a linguistic barrier to satellite services for the Quebec market, and therefore the potential for fragmentation in Quebec is much smaller, even in Montreal where most people are bilingual.

- ***Information and entertainment spending:*** We must study how many dollars are available for information and entertainment spending and make future projections.
- ***Database marketing:*** Advertising clients will demand very specific targeting of individuals (micro-marketing) to reduce waste. TV must address this need by exploring the value of specific programming, the capability of fully addressable audiences and interactive delivery systems.
- ***Demographics:*** The habits and values of the post-war baby-boom generation (born 1946-1965) are changing with age. The generation following this group (born 1966-1985) is causing a whole new buying structure at the retail level; price is the single most important motivating factor among shoppers, especially younger ones. Cocooning will lead to spending more on entertainment systems and will encourage shopping by video catalogue or interactive TV.

Prospects for the Major Media:

- ***Newspaper:*** Readership is declining, and their challenge is to revive it. An aging population may work in their favour, while ecological concerns will work against their success.
- ***Radio:*** Digital radio offers great potential for growth. Independent stations in small markets are dying.
- ***Out-of-home:*** This medium is gaining momentum through creative diversification. In-store audio, video and shopping cart advertising offer immediate measurement of success through scanner results.
- ***TV:*** The vertical division of TV audiences will assist targeting, but will make reaching mass audiences more difficult and costly. Home shopping on television has barely scratched the surface of its potential, and electronic publishing with immediate response mechanisms will reduce the need for the printed word. More retailers will discover the power of price/item advertising on TV.
- ***Direct communication:*** Direct mail has the specific targeting potential that will be demanded by advertisers looking for relationship marketing, but is it effective? Many customers don't want flyers, and most end up in the garbage: flyers may be legislated out of existence. An electronic alternative is needed.

Factors that will affect TV's share:

- Television must prove its ability to target effectively with better data, and must be accountable for measuring its audience accurately.
- TV stations and networks must become more responsive to the retail client, more flexible in terms of last minute scheduling, creative and cancellations. Canadian stations should be prepared to meet the buying needs of U.S. advertising agencies and advertisers.
- TV is seen as a labour intensive buying/administering process.
- The cost of entry to TV, the cost of production and ability to use U.S. creative will become more critical.
- There will be fewer brands that will need image advertising, specifically beer and automotive products.

Advertising Effectiveness

Effectiveness relates to accountability, where all parties must understand the objectives of the marketing process and be responsible for ensuring that their component of that process is delivered.

- ***Audience measurement:*** Clients have lost confidence in the currency used to buy media, and their frustration with TV has been focused on the audience measurement issue. The technology by which basic audience data is collected has certain limitations, and advertisers believe that electronic measurement will provide the best alternative. It is the media's responsibility to prove how many viewers are in the audience, and how valuable they are: it is up to broadcasters to demonstrate that TV is not a commodity.
- ***Reliable data:*** Continuing pressure on advertising budgets must be defended with reliable data on effectiveness. As some brands cut advertising but continue to sell, the pressure spreads to other brands.
- ***Commercial length:*** There is concern that advertising effectiveness could be diluted by more commercials with shorter duration.
- ***Non-issues:*** The poor perception of TV's effectiveness is largely an emotional problem: Clients see their own ads less frequently and read reports of non-issues like zipping, zapping, VCRs, death stars, plummeting tuning levels and losses by U.S. networks.

Who needs convincing?

- ***Clients:*** As TV becomes more complicated, fewer clients will understand TV advertising, and few do now! Brand groups are not media-literate, and have limited knowledge and low interest in the media process. Senior managers on the client side estimate TV's losses in audience levels at five to six times reality. Few realize that advertisers give up true value when they are part of a bulk buying process. At the other extreme, the research departments of some major advertisers know more about TV effectiveness than TV broadcasters do. When the clients have sophisticated data, they expect the same of the media sellers.
- ***Agencies:*** Agencies have been investing less and less in the media process, and media departments are smaller. Some clients estimate that only 10 per cent of agency media people know their media, and this has contributed to making TV buying a commodity-type purchase. The focus on cost efficiency, the lack of interest by agency management in the media process and the discounting practices of broadcasters, anxious to presell their inventory, have given rise to the independent media-buying organization. But even these organizations, specializing in media buying, and buying only or mainly TV, do not have the resources to prove the efficacy of the medium. In fact, their focus is almost totally on accountability/efficiency rather than effectiveness.
- ***Senior broadcast management*** needs to become more knowledgeable about the marketing and the advertising process.

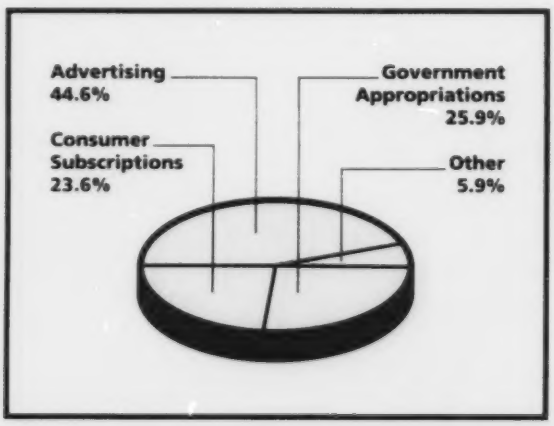
Product Media Data

- The first priority is to quantify/qualify the basic audience data and then consider deeper audience research.
- When TV is treated as a commodity, bulk buying results: Clients look to media buyers to buy at the lowest possible price. They must trade in price in the absence of better data. The best way to change that status is to have more and better data, which will deliver more advertisers and greater demand.
- A single multimedia study would compare the performance of different media, but the TV tuning data would be of low quality. Product/media data from a study exclusive to television would assist in program selection, but would not necessarily benefit TV in the media selection process. Any study must deliver data that is program sensitive, because that is how TV is bought.
- Product media data is essential for packaged goods and automobiles. Lifestyle and psychographic research must be done on specific products in order to be useful: Each customer needs custom data. Many agree that product media data are critically important. How can TV ever get into enough detail to deliver the necessary detail to the client?
- Product/media data should be paid for by broadcasters, and should be supplied with analysis tools, software and training.

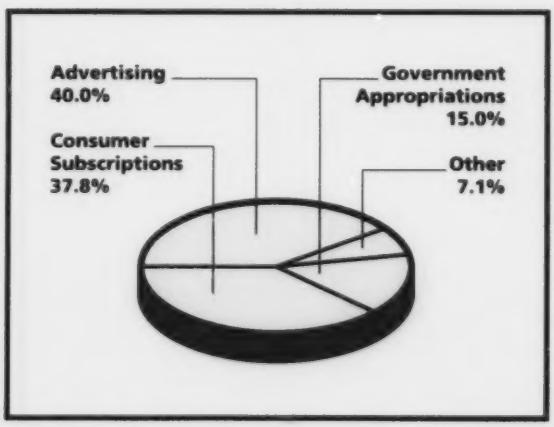
C. Revenue Components of the Television System

Television Revenue Trends

1980 (Total Revenue: $1.4 Billion)



1990 (Total Revenue: $4.0 Billion)



Source: Statistics Canada, CRTC, CBC, Communications Management Inc.

1. The television system has three major components:

- advertising,
- government appropriations,
- consumer subscriptions,
- relative importance.

2. During the decade of the 1980s the proportion of the system funded by subscribers increased by more than 50 per cent while the government appropriation and advertising components declined in relative importance.

3. The interaction of advertising and subscriber revenue in the funding of programming services and the development of non-programming services, needs to be taken into consideration in the development of future public policy decisions using more definitive research.

Recommendations

Recommendation 1 – Advertising Forecasting

The Department of Communications (DOC) should fund the development of an econometric model of total advertising and television advertising, in order to provide a baseline forecast to be employed in the development of a specific forecast for television advertising revenue that could help fund current and future programming services. (Part of Summit funding commitment to TVB.)

Recommendation 2 – Subscriber Revenue Potential

DOC should conduct a benchmark study of expenditures on entertainment and informational services and products to provide a better understanding of the disposable income that consumers devote to purchasing these kinds of services.

DOC should determine if the data on these services could be collected on a continuing basis by Statistics Canada to provide trending information.

This benchmark study and the trending information will assist not only the policy makers, but the whole broadcast system, in planning for new entertainment, informational and non-programming services.

Recommendation 3 – Audience Measurement

a) The broadcast industry must unite and respond to the advertisers' needs for the immediate implementation of an electronic system of television market measurement using existing technology to re-establish television's credibility with the advertising community.

b) As part of the federal government's support of the high-tech manufacturing and export industry, the DOC should initiate a formal proposal to provide technological development funding for a new generation of an electronic audience measurement system that would meet the unique requirements of the Canadian broadcasting system. The objective would be to advance the introduction of a portable personal passive audience measurement system for use in network, regional and market measurement of television and, potentially, radio, in Canada and possibly abroad.

c) While new technology is being developed, the broadcasting industry should make a significant investment in upgrading the current diary system designed to ease respondent burden and confusion, and to improve accuracy and quality.

Recommendation 4 – Customer Information

The broadcasting industry should develop and test a customer information research model including technical specifications for a qualitative study that will provide in-depth targeting data for television buying and selling. The test would be carried out in Quebec in order to evaluate and develop target marketing strategies that could be implemented along with a new portable personal passive audience measurement system to provide single source data for television. (Research model and technical specifications study to be part of the Summit funding commitment.)

Recommendation 5 – Database Marketing

Canadian advertisers are making significant investments in the development of proprietary databases. Database or relationship marketing will develop rapidly in the 1990s with advertisers searching for an effective interface with the broadcast media. The television industry must assess how it can respond to the marketers' need for fully addressable targeted communication and advertising.

Recommendation 6 – Client/Agency Broadcast Knowledge

The Television Bureau of Canada (TVB), in co-operation with the Association of Canadian Advertisers (ACA) and the Institute of Canadian Advertisers (ICA,) needs to develop a client and agency training program to demystify and improve the understanding of buying, selling and performance evaluation in the television medium.

Recommendation 7 – Administrative and Sales Automation

The television industry (broadcasters and agencies) need to be encouraged to improve the productivity of the media buying and servicing process through computer automation in order to enable agencies of any size to be competitive and competent in making and evaluating television buys.

Recommendation 8 – Marketing and Sales Training

TVB needs to develop a sales training and accreditation program for the television broadcast sales organizations with a test market in Quebec for local sales.

Committee Members

Chairman

Cameron L. Fellman
Television Bureau of Canada

Committee Members

Charles Bélanger
Télévision Quatre Saisons

Keith Campbell
Baton Broadcasting

Hugh Dow
Canadian Media Directors Council

John Foss
Association of Canadian Advertisers

Rodger Hone
Global Television Network

Gérald Janneteau
Le Réseau des Sports

Peter Kretz
CBC (English Network Television)

John Lewis
CBC (Corporate)

Don McPherson
Consultant to the Department of Communications

Rob Scarth
Canadian Association of Broadcasters

John Sinclair
Institute of Canadian Advertisers

Don Smith
Westcom Television Group

Ron Waters
Much Music

Other Contributors

Pierre Arthur (BCP)
Sunni Boot (FCB-RR)
Maurice Brisebois (ACA)
Janet Callaghan (JWT)
Bob Cody (Warner Lambert)
Gord Cundell (Sears Canada)
Robert Dilworth (TVB)
Elliott Ettenberg (Prism)
Charlie Gamble (Molson)
Richard Genin (TVB)
David Harrison (HYPN)
Sue Jaffe (SMW)
Claude Laberge (RDS)
Pierre Ladouceur (McDonald's)
Jacques Lefebvre (Maclaren: Lintas)
Claude Lizotte (Cossette)
Brian Ludgate (TVB)
Wendy Miles (TVB)
Maureen Moore (Whitehall)
Joe Muille (AAPQ)
Elizabeth Nolet (PNMD)
Jim Patterson (Grey Retail)
Brian Pearman (Genesis Media)
Deepak Pershad (Kraft General Foods)
Greg Ross (Procter & Gamble)
Jake Scudamore (TSN)
Terry Sheehy (Burnett)
Peter Swain (MBS)
Barbara Thompson (Provigo)
Robert Trempe (SRC)
Robert Troutbeck (Doner Schur Peppler)
François Vary

Report on international services

Cassels, Brock & Blackwell

Samuel Slutsky
Barrister and Solicitor
Partner

This memorandum presents our report with respect to preliminary views of various leading members of the Canadian broadcasting system (the "Participants") on the need, characteristics and nature of a Canadian content international satellite channel (the "Channel").

Objects of Study

Of late, globalization of television has brought with it an increased awareness of possibilities for Canadian broadcasters to access foreign media markets through satellite channels. At various times, different groups, both private and public sector, have suggested that the time is right for establishment of a Canadian-based news and public affairs/entertainment channel that would be broadcast internationally in a variety of key world markets. This recommendation is predicated on growing interest in other countries for Canadian-based programming.

In 1991, the Department of Communications (DOC) established its Television Summit Process, which has, as its main focus, the development of an industrial strategy for the television industry. In support of the investigations of the Summit Steering Committee to develop this strategy, the DOC commissioned a preliminary study into the nature, character and feasibility of a Canadian content international satellite channel.

The principal object of this study has been to produce a preliminary report on international services. This report may then form the basis of a full-scale detailed analysis of the matter sponsored by the DOC for the benefit of the Canadian government in the formulation of regulatory policy and for Canadian broadcasters.

A number of key issues were canvassed in this study. Some of them include:

- the benefits of an international satellite channel to the Canadian broadcasting system;
- the level of interest, both in the private and public sector, in establishing a Canadian-owned international channel;
- the characteristics and formats that would be most appropriate for this service;

- whether the channel would be distributed in Canada, as well as internationally;
- the markets in which this service should be distributed;
- the demand for these services;
- who would own the station; would it be a combination private/public sector initiative and how would ownership and management be structured;
- identification of program rights and copyright issues and how they would be resolved; and,
- the manner and means by which support can be given to this initiative should the consensus be that it is important to the Canadian broadcasting system.

Throughout the course of interviews, related and ancillary issues were also discussed and are incorporated into the body of the report.

Method of Investigation

Private interviews were arranged with the Participants to review the principal issues. The Participants included:

- David Mintz – Global Television,
- John Shewbridge – CBC,
- Kevin Shea – YTV,
- André Bureau – Astral,
- Gary Maavera – CTV.

The Participants were advised that this study was intended to canvass their preliminary views on a confidential basis. The object was to establish a degree of candor that would facilitate the conduct of open and frank discussions. The Participants were assured that this report would present findings on a non-attributable basis and that their individual comments would be kept confidential as to source as between the participants.

Comments

The Participants provided their comments in relation to nine general questions. Their responses can be categorized under the following specific headings:

1. Benefits of a Satellite Channel to the Canadian Broadcasting System

The majority view was that the Channel would be of benefit to the Canadian broadcasting industry as a whole in various key ways. In policy terms, the usual arguments regarding Canada's profile in a global marketplace were commented on.

Implementation of a Channel could provide Canada with exposure worldwide at a reasonable cost in relation to the costs otherwise associated with achieving these goals for international trade and finance purposes through more conventional methods. Further, it would provide Canadian artists with a wider international profile, something which is now attainable primarily through non-Canadian outlets (e.g., the United States).

In more practical terms, though, a number of suggestions were advanced, including:

- establishing a means of financing productions on a broader scale than the present methods of co-production and joint ventures. It was suggested that co-productions currently result in many compromises that are accepted because of the circumstances and the clout, which a co-production partner, either from the United States or elsewhere, may enjoy in comparison to the Canadian partner. A Channel would allow Canadian broadcasters to retain more control over the process, even in the context of co-productions made specifically for the Channel. In other words, it would provide an alternative to what is known in the industry as "licence plate" programming.
- creating a new market or "outlet" for Canadian programming. The creation of a Channel will, in the short term, provide a distinctly Canadian outlet for programs, creating increased competition on the one hand, and new opportunities for programming that are not at present available in the system. In the long term, though, it will catalyze a growing worldwide interest in Canadian programs: not just entertainment, but Canadian content news, sports and documentary-based programs, which provide a direct window to the world for Canada.

As a general proposition, it was considered important that a Channel be established to preserve a market position in North America and overseas that is at present being filled by channels such as CNN and A&E. These services enjoy access to over 5 million Canadian homes and are selling advertising time to Canadian business in direct competition with the Canadian broadcast industry, though without being subject to the strictures of the broadcast regulatory scheme. Without a Channel, Canada will become dominated by these and other similar services.

The observation was made that Canadian programming travels mostly in an east-west configuration as a rule, rather than a North-South configuration. The broadcasting industry's main competition is the United States broadcasting industry, which has developed a North American strategy. A Channel would, it is suggested, provide the Canadian broadcasting industry with a foundation for a North American strategy that is not at present represented throughout the industry in Canada.

2. Main Barriers to a Canadian Satellite Channel

A number of serious reservations were expressed regarding the economic feasibility and, therefore, the pragmatic reality, of establishing a Channel with programming from private broadcasters. One of the main reservations related to programming rights for United States markets and overseas.

As a general proposition, most of the prime entertainment programming on private broadcast networks is already subject to copyright restrictions that make broadcasting programs outside of Canadian markets impractical. Either the programming is sourced outside the country and only the Canadian rights have been acquired, or the program has been developed in Canada and the international rights have been sold to third parties. In both cases, acquisition of international rights to quality programming is too costly to provide the economic foundation for Canadians buying those rights with a view to profit (or even cost recovery).

In many cases, Canadian-based programming in the private sector is produced on a joint venture basis with international partners who acquire the non-Canadian rights as part of their participation.

It was suggested that the rising costs of developing and producing top-quality programming make it almost impossible not to seek a broader market for the product as a means of recovering costs from the greatest possible viewing audience. In the absence of arm's length pricing for these international rights, many programs could not be produced because it would not be reasonable to expect that their costs could be recovered.

As a consequence of these market factors, it was suggested that providing private sector entertainment programming for an international channel could only be feasible where the channel was in a position to acquire international copyrights at fair market value pricing. Doubts were expressed over the economic viability of a Channel being able to compete on this basis.

Concerns were also expressed that a Channel would attract advertising revenues away from existing formats. This would act to weaken, rather than strengthen, the Canadian broadcasting system internationally.

3. The CBC Option

The overwhelming conclusion of the Participants was that CBC programming, both mainstream and Newsworld productions, would be the only realistic source of material for a Channel. Though reservations were expressed concerning public interest in that programming internationally (based on perceptions that the level of public interest in Canada for Newsworld programming was not particularly high), it was clear that CBC programming would provide a solid foundation for a Channel.

A number of Participants were, however, of the view that while there was probably a market for indigenous Canadian productions internationally (as compared to quality entertainment programming, which is consistently in worldwide demand), a Channel might not be the most realistic format. Rather, suggestions were made that CBC might purchase airtime on existing outlets in particular markets and provide "Canadian" feeds for those markets.

For example, time could be purchased on various United States-based channels to instill a particularly Canadian flavour to the entertainment programming at certain time periods. On a news front, CNN could be paid to take 5 minutes of a special Newsworld feed daily throughout the week, allowing viewers around the globe to experience the Canadian perspective on the national news.

Several Participants concluded that, while this approach might be a more realistic means of disseminating CBC programming to broader markets internationally than a Channel, it is unlikely that this type of initiative would be a profitable venture. The additional argument was that the costs incurred to disseminate Canadian programming in this manner would be economically acceptable (on a risk-reward basis) in comparison to those associated with establishing a Channel.

It was suggested by several Participants that acquiring all or a portion of an existing channel in an international market might also be a more viable alternative to establishing a Channel as a stand-alone project. This analysis was based on the supposition that funds spent by CBC to establish a Channel might be more profitably employed acquiring an existing channel with proven profits and audience share. CBC programming might then be fed into mainstream programming.

In this way, two issues would perhaps be resolved by one solution. If the existing channel had a need for new programming, a Canadian source for news and entertainment could satisfy that need at a reasonable cost, while providing the CBC and private broadcasters with a new and established outlet for Canadian programming. Several Participants were of the view that the overriding challenge in all of these initiatives would be to export CBC programming in a manner that would result in the creation of incremental revenues for existing programming. This type of "win-win" situation could realistically emerge given the need for quality programming in many of the world's leading media markets.

4. Private Sector Interest – Establishing an International Channel for Canadian Programming

The Participants were divided into two opposing views on private sector interest in establishing a Channel. Overall, private sector interest in this regard was expressed to be very high. However, some of the Participants were of the view that this interest was merely superficial and that, when approached with realistic opportunities, many key private-sector leaders were not interested in making the economic commitment necessary to this cause.

In the face of this view, though, the Participants admitted that various initiatives were being undertaken to launch Canadian programming and expertise into international markets through diverse vehicles and mechanisms. In all cases, the initiatives were not particularly focused on establishing a Canadian-based channel.

Rather, they were focused on entering other markets with Canadian expertise and secondarily on creating a base that may accommodate the airing of Canadian programming in the long term. The focus of the channels that were being pursued would remain indigenous to each marketplace.

In all cases, the Participants were either pursuing international channel opportunities or considering proposals in various markets.

5. Channel Formats and Characteristics

On the assumption that a Channel would be established, the Participants commented on the formats and characteristics that might have the best chance of success in particular markets.

One strongly held view was that the initiative should focus on "specialty" channel programming and be targeted to a narrow market. This approach would not entail creating a "Canada on Parade" format, but rather, would converge on Canadian programming for areas such as specialty languages (e.g., French, Spanish and Chinese) in which Canadian broadcasters have proven expertise and track records. Other areas of narrow focus would also be in family and youth programming, along with the other spectrum of "mature" programming for viewers in the 50-year-old-plus range.

A contrary view was also expressed that this approach was misleading, as it would be impractical to fill 12 hours of daily air time with narrow-focus programming. As an example, it was suggested that existing narrow-focus stations, such as Much Music in Canada and competing video stations in the United States were drifting toward more conventional programming in a bid to keep the attention of viewers as the lustre of music videos wore off (a natural progression with any new format that matures).

The predominant view expressed by the Participants was that a mix of general and specialty programming would be the optimum format for a Channel. One of the suggestions was that the Channel would succeed best with a 40 per cent news programming content and 60 per cent entertainment content.

There were also some very strong views expressed on the concept of selling software rather than hardware. By that it was meant that focusing on the sale of programming through a medium such as pay-per-view might be the most feasible vehicle for Canadian programming in the international marketplace, as compared to spending resources to create an infrastructure by means of a Channel. This view was based on the prediction that, in the longer term, television will no longer be a channel-oriented service, but rather will be placed in the control of the viewer, from a systemic perspective imbued with flexibility that is similar to that enjoyed by the average computer user.

Many of the views noted above were based on the contention that Canadian programming enjoys a unique position in world markets. It was suggested that news analysis is seen to be better and more objective than United States-based news programming by many markets outside the United States. It was also suggested that Canadian-based sports programming was recognized as being one of the best, if not the best, available in the world.

These strengths are recognized as being unique for a country as small as Canada and they require immediate international exploitation to prosper, a circumstance that is not as well developed as it could be through existing arrangements. Thus, while a Channel may not be the most practical means of advancing international exposure in these circumstances, it may represent the most pragmatic means of accomplishing that goal at this time.

6. Broadcasting into Canada – Is it Feasible?

The overwhelming conclusion of the Participants was that it would be neither feasible, nor of particular value, to broadcast a Channel into Canada. The major obstacle would relate to copyright issues associated with the particular programming shown on the Channel. Another, more pragmatic, obstacle would relate to the duplication of programming in the same marketplace.

The one contrary view expressed was that, if the Channel were configured as a specialty channel with a narrow focus, some of the programming might not otherwise be available in the Canadian marketplace. In those circumstances, there might be some merit to providing a feed into existing vehicles (such as Newsworld) as a means of broadcasting new programming into Canada.

7. Markets

A number of markets were identified as primary objects of international expansion. They included:

a) United States

This was expressed to be the most obvious market for a Channel. A number of reservations were, however, raised with regard to the economic viability of competing in the United States. The main dilemma that many Participants mused about related to the creation of a new infrastructure for Canadian programming, such as a Channel, as compared to the availability and utility of existing infrastructures. The suggestion was that partnership opportunities with existing United States operators in the broadcast industry might be the most realistic means of proceeding to establish a Canadian presence.

A number of recommendations were made regarding the best means of accessing United States markets through a Channel, whether by DBS or through cable. A strong case was made for the proposition that it would be necessary to start with cable, given the structure of broadcasting in the United States, with a view to moving to DBS in three to four years.

In this regard, it was suggested that the absence of broad satellite penetration in the United States at present would act to defeat the economic feasibility of commencing a Channel through DBS immediately. Further, it was suggested that those who commenced with DBS would not be able to move to cable, while those who started with cable would not be prohibited from moving to DBS in the future.

b) Western Europe

Many of the Participants were of the view that Western Europe represented, in many ways, a greater opportunity for Canadian programming than did the United States. This view was based on the proposition that there is a great need for quality programming in Europe that cannot be serviced from the European broadcast community to any degree that can can be reasonably compared with the supply/demand situation in the United States.

The main barrier to accessing Europe, though, relates to infrastructure. Delivery systems in Europe are extremely poor in relation to North American standards. Development of those systems is in its infancy and it will be decades before sufficient infrastructure is in place to make a Canadian intrusion immediately viable in economic terms.

That being the case, some of the Participants suggested that Europe represents a significant opportunity for Canadian broadcasters to gain a secure toehold in Europe at a reasonable cost and develop their inroads along with the rest of the industry in those communities. Some of the Participants acknowledged that they were pursuing those opportunities on a partnership or joint venture basis in Europe.

c) Eastern Europe

Some of the Participants acknowledged that there was considerable interest in Canadian programming, including news reporting and analysis, by Eastern Europe. This interest was attributed to the perception that Eastern Europe has of Canada as compared to the United States. Canada is regarded (it was argued) as a well balanced country with objective reporting.

Eastern Europe is apparently not concerned about political perspectives coming out of Canadian programming, as it is about United States programming. Further, given immigration trends into Canada over the last century, many Eastern European communities have particularly strong ties with former citizens who have settled in Canada.

Canadian programming has a somewhat neutral political flavour and can be relied on not to subvert its audience. Some of the Participants suggested that our programming can be viewed as being less "harsh" or "angular" than United States products, which are identified worldwide as having a particularly invasive persona.

In practical terms, though, the Participants were of the view that Eastern Europe has neither the infrastructure, nor sufficient resources, to represent a viable opportunity for a Canadian Channel at this juncture. As with many industries, it is a much longer-term "play" than other, more accessible, markets.

d) Asia and India

One of the Participants had access to relatively extensive information regarding the Asian and Indian markets. It was suggested that in Asia there are some 400 million people who speak English fluently. In India, the English speaking population has been measured at about 200 million.

While distribution system issues represent the greatest problem, the potential audiences in these markets are so enormous that investment returns may, in the long term, be better realized in these areas of the world than in some of the more conventional markets.

In Japan, for example, more than 25 per cent of the homes in the country own satellite dishes, which provide them with only one additional channel. A clear DBS market may exist already for Canadian-based programming in light of these statistics because, as with the United Kingdom, there is an abundance of infrastructure without the accompanying breadth of quality programming necessary to satiate viewers.

e) South America and Mexico

English and French speaking contingents in these countries are significant. Further, as with Eastern Europe, Canadian broadcasting is seen as a politically and culturally feasible alternative to United States programming. The largest problem relates again to delivery systems.

f) Australia and New Zealand

These are natural markets for Canadian broadcasting. In particular, given the deregulation of the industry in New Zealand, there is enormous potential for Canadian broadcasters to make inroads into these markets.

While none of the Participants suggested that a Channel would be suitable for these markets on a stand alone basis, it was clear that inroads made by some Canadian broadcasters in these markets would provide outlets for some Canadian programming, which would form part of a Channel's format.

General Comments on Markets

Most of the Participants were of the view that given the political, cultural and qualitative nature of Canadian programming, there are significant opportunities available to the Canadian broadcasting industry to "get in on the ground floor" in many international markets.

Some of the Participants were of the view that the most efficient and focused means of pursuing these opportunities would be through the venue of a Channel, which could, on a consistent basis, offer Canadian programming to these markets. Others expressed the view that a Channel would be an inefficient means of accessing these markets, which would be best served through direct sales of Canadian programming.

One of the more interesting recommendations related to the acquisition of DBS rights. At present, the technology is in its infancy. DBS rights are available at nominal costs in many marketplaces. In many ways, the DBS market is at the same stage that cable rights were several decades ago.

A Channel could be used as an international acquisitions vehicle for these rights at very reasonable prices and could place Canada in a remarkable position to access through DBS into these markets once this technology matures.

8. Demand for a Channel

Is there a demand for a Channel in various international markets?

The majority conclusion of the Participants was that there is a worldwide appetite — and a very strong one — for quality programming, regardless of the source. In pragmatic terms, it was suggested that the Canadian broadcasting industry should focus on the sale of Canadian-sourced programming, rather than on development of a new mechanism for dissemination of that programming internationally.

Some of the Participants were, however, of the view that, for a variety of reasons, including presence in the marketplace, competition with the United States and consistency of marketing, the mechanism of a Channel would be the most efficient means of integrating Canadian programming into various markets. The most consistent criticism of the Participants was the relative absence of cohesive packaging of Canadian-based programming for international markets, something that some of the Participants suggested could be resolved through the use of a Channel.

9. Ownership

The majority view of the Participants was that a Channel would have to be owned or controlled by private broadcasting interests, accompanied by some form of material participation by the CBC. Both joint ventures and partnerships were discussed as specific formats.

It was argued that the economic viability of a Channel would be challenging at best and that the flexibility and decision-making abilities of the private sector would be most suited to the survival of this type of start-up venture. It was also suggested that a Channel would only have a chance of acceptance in various markets if it were seen to be a private concern, as compared to a government-owned or -controlled vehicle.

While in Canada the autonomy of the CBC is taken for granted, other markets view government involvement in a different light. As a result, a CBC-controlled Channel might well prove unacceptable in commercial terms.

One suggestion was made in relation to Newsworld's programming. It was proposed that, if the programming was made available free to private broadcasters as part of a Channel initiative, it might be possible to establish a project that had some hope of recouping start-up costs and becoming economically viable in a commercially feasible time frame.

It was alternatively recommended that the CBC might control this type of initiative on the programming side, while allowing the private sector to have control over marketing and packaging programming. In this way, the two strengths of the private and public sectors might be combined for successful results.

The majority consensus was that documentaries and entertainment programming was the type of programming that was most realistically exportable in a Channel format. News programming would not, however, be feasible, particularly in the face of CNN news coverage, which occupies a market position that would be hard to emulate in the absence of a significant capital commitment.

10. Copyright Issues

All of the Participants were of the view that copyright represented the main obstacle to establishing a source of programming for a Channel. As was noted above, private broadcasters are not normally in a position to acquire more than Canadian rights to programming at a reasonable price. The CBC was unanimously considered to be the only source of Canadian programming that could feasibly become the base for a Channel.

Various Participants were, however, of the view that copyright issues could be resolved, one way or another, if a serious initiative were undertaken to establish a Channel. The resolution of these issues, though, would occupy a significant portion of the resources expended to undertake this type of initiative.

Other Participants were of the view that copyright issues could not be resolved in the near term and might make a Channel impractical at this juncture.

11. How Can the DOC Assist This Initiative – Or Should It ?

The unanimous view of the Participants was that the DOC should get involved in any initiative to launch and operate a Channel. A number of specific recommendations were advanced regarding the means by which the DOC might support this initiative and be instrumental in its success.

It is important to note, as a general premise, that the Participants were of the view (in some cases very strongly expressed) that the government should not infuse capital into a Channel as a means of support. This proposition was based on concerns that various markets, and particularly the United States, would view any financial support by the Government as representing a subsidization of international competition, which could lead to barriers of one form or another. As a result, it was suggested that both the perception and the reality of a Channel must be that it is a private-sector venture with significant CBC participation.

The other recommendations relating to the manner in which the Government, and the DOC in particular, could provide support to a Channel were as follows:

- The Government could develop means of using the existing external affairs network worldwide to assist in the promotion and sale of Canadian broadcasting and particularly a Channel. While the Canadian treaty network regarding programming is good, the Government has an infrastructure that could become more proactive in promotion of the broadcast industry.

It was suggested that this initiative might be based on the United States model, which has successfully integrated its foreign affairs initiatives with sponsorship of domestic business and the broadcast industry in particular. Any markets into which a Channel might venture would stand a better chance of penetration with this form of assistance.

The main basis of this recommendation, which was advanced by several Participants, was that the Government has developed substantial expertise in the markets that might be the main target of a Channel. By making this expertise available to the broadcast industry, and by exercising the expertise on behalf of the industry, this type of initiative can be given substantial, non-economic, support.

- The DOC should develop clear objectives with regard to the export of Canadian programming, particularly CBC programming, to world markets and make those objectives, and the consequential policies, known publicly. It was argued that these objectives and policies would determine whether it was feasible for the Government to provide support for a Channel.

For example, if it is a main object of the Government to disseminate the "Canadian" viewpoint of world and national affairs, then a Channel format may warrant establishment as a non-profit undertaking (i.e., developing an annual budget to defray the cost of this form of dissemination). Alternatively, should the dissemination of Canadian programming to the broadest possible markets be the main goal, then a Channel might be a particularly inefficient means of accomplishing this end, as it may result in costs that can more skilfully be employed to achieve this goal through other means.

Along these lines, it was suggested that a strategy be developed by the DOC to facilitate access of the Canadian broadcasting system to international markets. Further, this strategy should focus on development and export of the best programming that the Canadian broadcasting system has to offer, rather than a strategy that supports development of sufficient programming of any quality to meet the full schedule requirements of a Channel.

- The DOC should assist the Canadian broadcast industry to understand where technological advances are most likely to progress. DOC staff have developed some of the most impressive expertise on the hardware end of the industry, and this expertise could be invaluable in the decision-making process involving the initiation of a Channel. Making this expertise available to the broadcast industry for this type of initiative could be key to the success of a Channel.
- The Government could be encouraged to redirect some of its present international advertising budget toward a Channel. In many areas, the Government (as well as the provinces) expends considerable amounts on advertising in foreign markets over a wide range of topics.

For example, all Canadian governments buy advertising (either directly or indirectly) in international markets to promote Canadian tourism. Some of this spending could be pledged to a Channel for the markets in which it would be aired. This would provide an immediate income source as a base to build on. Federal government commitments in this regard would improve chances of attracting similar commitments from provincial governments.

- The CBC's participation in a Channel, or other international venture, will require both moral and practical support from the Government. In a practical sense, the CBC will likely require the DOC's assistance in resolving certain ***Broadcasting Act*** issues associated with becoming a member of an international initiative. The Government will also have to become familiar with and supportive of any CBC involvement in this regard before the organization can play a meaningful role.
- The DOC should work with the Government to develop a series of distribution agreements around the world to disseminate Canadian news to those jurisdictions. This could be done in conjunction with a Channel or independent of one, should this mechanism not be initiated.

Coupled with this suggestion, was the recommendation that the present international treaties, which facilitate the flow of Canadian programming to international markets, should be maintained and expanded to countries not at present party to agreements (Japan, for example).

Both of these recommendations are premised on the need to create strong and consistent access to foreign markets, as well as to preserve the competitiveness of the Canadian broadcasting system against incursions from the United States industry. A number of concerns have been expressed to date (in different forums) on the nature of trade talks (both the bilateral and trilateral ones) and the impact that negotiations might have on Canadian culture and the broadcasting industry in particular. Establishing a strong and broad treaty network will act as a barrier against erosion of Canadian culture.

- The Government can create a new tax regime, which acts as an incentive and catalytic mechanism to support the production of quality programming in Canada. Concerns were expressed regarding the need to support culture in Canada and the removal of many of the economic incentives associated with tax measures designed to attract third-party investor capital to the high-risk production market.

The new regime would not mirror previous rules, but would focus more specifically on creating incentives for international marketing of Canadian programming, such as a "super" allowance. In this way, the risk of promoting programming internationally could be defrayed to some degree.

It is important to note that this particular recommendation is premised on the contention that the new rules would be specific and narrowly cast. It is not intended that potentially abusive provisions that are broadly construed be implemented.

- Telefilm Canada should be reorganized to more closely mirror the European system of grants and other supportive aid to programming. In Europe, there is a more objective basis of awarding grants without, it was suggested, the accompanying bureaucracy needed to make decisions as to allocation. Thus, productions need not experience a subjective evaluation of their merits by committees or boards designed to determine whether the concept is meritorious enough to warrant public funding.

In Canada, it was argued, too much time and resources are expended under the present Telefilm system to make essentially "subjective" funding decisions. With an automatic system, a more even-handed approach that disseminated more assistance on a timely basis, would result in great advances in the development of Canadian programming.

Conclusions

If there is one overriding conclusion to be drawn from the interviews with the Participants, it is that the subject of a Canadian-based international channel is worth considerable investigation. While interest runs high, the real issues relate to the characteristics of a Channel and the means by which it might be launched on an economically feasible basis.

As regards government participation in this issue, it seems clear that the successful pursuit of a Channel is going to require that both the private and public aspects of the Canadian broadcasting system work hand-in-hand along with the DOC to accomplish this goal. If all parties do not work together, it is unlikely that a Channel can be successfully initiated.

Report on non-simultaneous substitution

Background

In the Fall of 1990, the Task Force on the Economic Status of Canadian Television (Girard-Peters) invited broadcasting industry representatives to present papers on the economic crisis facing Canada's television industry. The Canadian Association of Broadcasters (CAB), on behalf of the privately-owned, over-the-air broadcasters, provided a detailed submission, which set out its members' analysis of the economic crisis and proposed a series of possible solutions.

The CAB, supported by a study undertaken by Dr. Arthur Donner for the Department of Communications, recognized the important revenue contribution of simultaneous program substitution. The CAB proposed to the Task Force that serious consideration be given to expanding that practice in the following recommendation:

> "Non-simultaneous substitution should be explored as a means to increase the capacity of stations to schedule Canadian programming with maximum effectiveness and thereby increase revenues."

The CAB based this recommendation on the following three points:

1. Non-simultaneous substitution (NSS) would allow broadcasters full protection of program rights, which would give broadcasters the protection they need for program rights they have purchased.

2. NSS would increase viewing time to Canadian television stations, and this would assist in repatriating some advertising revenues back into the system.

3. NSS should provide broadcasters the freedom to plan their program schedules for their audiences rather than simulcasting.

In addition, a survey of CAB members indicated that if non-simultaneous substitution had been available to private broadcasters in 1989, the gross incremental airtime revenues that would have been gained from that programming was estimated at roughly $45 million.

The report of the Girard-Peters Task Force was released in May of 1991. In Chapter 4 of that report, the Task Force recognized the value of simultaneous substitution in terms of its ability to maintain viewers to Canadian stations, improve revenues to broadcasters and its usefulness in protecting Canadian broadcasters' program rights. The Task Force went on to make the following recommendations:

> "The CRTC should now move on to the next logical step and provide for non-simultaneous program substitution on cable. The CAB should initiate a common proposal with the CCTA for an amendment of CRTC regulations authorizing non-simultaneous substitution."

The Task Force further noted that the implementation option of "substitution of the same program" (episode-by-episode) would be the least irritating to cable subscribers, would capture viewing that would otherwise be directed to U.S. stations and, therefore, would increase the advertising revenues of private broadcasters.

The Summit

To follow-up on the recommendations of the Peters-Girard Task Force, the Minister of Communications announced his intention of holding a Television Summit in Montreal in December of 1991. In preparation for the Summit, a number of industry Working Groups were formed including the Summit Working Group on Programming and Finance. The Task Force recommendation regarding non-simultaneous substitution was assigned to this Working Group and this led to the formation of a Joint Broadcaster/Cable Committee on Non-Simultaneous Substitution.

The Joint Non-Simultaneous Substitution Committee (the Joint Committee) was mandated to:

1. assess the net benefit to the system of non-simultaneous substitution;

2. based on the assessment of the benefit to the system and the agreement of the parties represented on the Committee, develop a joint cable/broadcaster proposal for implementation of non-simultaneous substitution for consideration by the CRTC.

The groups represented on this Joint Committee are: the CCTA, the CAB, the CBC and the ACQ. The Joint Committee is Co-Chaired by Ken Fowler on behalf of the CCTA and Grant Buchanan for the CAB.

Interim Report of the Joint Cable/Broadcaster Committee on Non-simultaneous Substitution

General

The Joint Committee agreed that the only implementation option that would be investigated by it would be the one recommended by the Girard-Peters Task Force, namely non-simultaneous substitution of identical episodes.

The Joint Committee identified the following as key areas, which require further investigation in any assessment of the benefits of non-simultaneous substitution for the Canadian broadcasting system:

a) programming rights and impact on program costs;

b) impact on audience and potential advertising revenues;

c) technical operations and potential capital and operating costs; and,

d) transparency to the cable subscriber.

Work is now under way in all four areas. The following is a report on progress to date.

a) Program Rights and Impact on Program Costs

The CAB has undertaken to pursue the issues of program rights and potential increases in program costs. In their report to the Joint Committee, the CAB has indicated the following:

(i) Preliminary discussions with the Canadian Motion Picture Distributors Association (CMPDA) indicates that:

- The implementation of NSS would require a "cable play" of a program that is separate and distinct from an over-the-air play. A cable play would constitute an extra run in a market but not an extra broadcast.
- The CMPDA indicated that the residual runs for a "cable play" under Union Agreements with the Alliance of Motion Picture and Television Producers would be 10 per cent of the consideration received for the run.

- It would appear that program supply contracts would have to change to identify a separate cable run. A price for that play would have to be negotiated with the distributor, and 10 per cent of that price would have to go toward residuals. A cable play might also trigger additional payments to the music industry. From this the CAB has concluded that:
  - Incremental program costs under NSS are an open question, subject to program-by-program, market-by-market negotiations with distributors.

(ii) The CAB has stated that the cost issue could be affected by two factors:

- The decline in U.S. program costs; and
- The impact of increased substitution on the level of distant signal royalties currently paid to the owners of U.S. programming.

b) Potential Advertising Revenues

The CAB has conducted a survey of its stations to estimate the value of non-simultaneous substitution to its members. Preliminary results indicate:

- Stations would be able to sell some 69 per cent of the value of the gross rating points (GRPs) obtained under NSS to advertisers.
- NSS would generate an additional $47 million (1991) in advertising for the private English-language television industry.
- Revenue gains vary based on market size.
  - A station in a market of 0 to 100,000 people could expect to generate just over $200,000 annually with NSS,
  - A station in a market of 100,000 to 500,000 people could expect to generate additional revenues of $520,000 annually with NSS,
  - A station in a market of 500,000 to 1,100,000 people could expect to generate additional revenues of $1.5 million annually with NSS,
  - A station in a market of over 1.1 million people could expect to generate additional revenues of over $3.7 million annually with NSS.

The CAB has also noted that these revenue figures do not take into consideration the greater scheduling flexibility that NSS would offer broadcasters. It also noted that some stations will still want to continue simulcasting of certain programs in order to take advantage of the promotion of those programs on those distant stations. Finally, this $47 million represented prime-time programming only and assumed the status quo in terms of program schedules.

c) Technical Operations and Potential Capital and Operating Costs

Three implementation options have been considered in terms of technical implementation of NSS. They are:

(i) establishment of a delay centre at the cable system head end;

(ii) MMDS feed to the cable system head end; and,

(iii) direct feed to the cable systems' head end.

The Joint Committee has unanimously rejected the proposal of the establishment of delay centres. Nevertheless, once more technical information has been acquired, the CAB may wish to re-open discussions with the cable industry regarding the delay centre approach in some markets, if feasible.

The preferred technical implementation option of the Joint Committee is the direct feed approach. Under this option, the broadcaster would supply a direct feed of the NSS signal to the cable operator's local head end. This approach would work for both pre- and post-release NSS situations. Cable operators would be required to modify all of their head end switching systems to accommodate two signals from each local broadcaster — one for NSS and one for simultaneous substitution. This would require replacement of all existing head end switchers. The cable industry supports this approach because it would ensure that there is no degradation to signal quality, and NSS could be carried out in the same manner as simultaneous substitution.

It should be noted that, while the direct feed approach has the support of the cable industry, the CAB still wishes to pursue the concept of a mixed direct feed/MMDS NSS implementation approach. The cable representatives on the Joint Committee believe that the use of MMDS to deliver NSS programming will result in the cable subscriber receiving poor picture quality, which will lead to increased consumer complaints. The CAB is not convinced of this and does not wish to rule out the possible use of MMDS in some markets, if feasible. Nevertheless, the CAB has no difficulty supporting the direct feed approach as one alternative.

The cable industry is moving toward the completion of a survey of the 25 top cable markets to determine the overall distribution cost of the direct feed approach.

Conclusion and Next Steps

The Joint Committee has found that trying to arrive at an assessment of the impact of NSS has been a far more complex undertaking than originally expected by any of the participants.

Simultaneous substitution (SS) is very straightforward, both technically and operationally. The two signals are received "off-air" at the same time, and one is switched over the other by a computer-controlled switch. With NSS, the Canadian signal must be delivered to the cable head end (the majority of which are unmanned) at a time other than its original play, to coincide exactly with the episode on the U.S. channel.

While the Joint Committee believes that it has been able to arrive at consensus on a number of key issues, there are still some outstanding questions that must be answered. For example, audience measurement under NSS is an important factor in terms of the revenue potential of NSS and advertiser input should be obtained.

After a review of the material now before it, the Joint Committee is proposing that the best and most efficient way to be able to assess the impact of NSS on the Canadian broadcasting system is to conduct a non-simultaneous substitution test in two markets: Vancouver, British Columbia, and Edmonton, Alberta. This test would allow examination of technical operating mechanisms, costs and subscriber reaction.

The Joint Committee has met with the CRTC and has proposed to apply for a "condition of licence" for the cable systems involved for authority to carry out these tests. It is anticipated that these tests could proceed as early as September 1992.

If the tests support the initial findings of the Joint Committee, it is proposed that a formal application be made to the Commission to include the provision of NSS in addition to SS in the Cable Television Regulations. This application would also review a number of operating parameters that would affect both NSS and SS. At that time, the CCTA believes that the following must be addressed:

a) a definition of identical programming; e.g., episode-by-episode, stereo, closed captioning;

b) guaranteeing to cable operators broadcasters' certification of program rights;

c) notification procedures; and,

d) responsibility for consumer complaints.

Committee Members

Co-Chairs

Ken Fowler
Senior Vice-President, Planning
Shaw Cablesystems

Grant Buchanan
Vice-President, Corporate Affairs
ITV

Members

Ray Carnovale
Vice-President, Engineering
Baton Broadcasting

Scott Colbran
Senior Vice-President
Maclean Hunter Cable TV

Roy Gardner
Vice-President, Programming
BCTV

Rodger Hone
Senior Vice-President
Global Television

Douglas Hoover
Vice-President and Programming Director
Global Television

Wally Kirk
Program Director and Station Manager
ITV

Elizabeth McDonald
Vice-President, Programming Services
Canadian Cable Television Association

Tak Negoro
Vice-President, Engineering
BCTV

Rob Scarth
Director, Television
Canadian Association of Broadcasters

Paul Temple
Vice-President, Programming and Regulatory
Rogers Cablesystems Ltd.

Philip Wedge
Vice-President, Programming
CTV

Appendices

List of delegates at the December 1991 Summit

Ms. Linda Ahern
Association des câblodistributeurs du Québec

Mr. Charles R. Allard
Allarcom Pay Television Limited

Mr. Charles G. Allen
CUC Broadcasting Limited

Mr. Israel H. Asper, Q.C.
CanWest Global Communications Corporation

Mr. Louis Audet
COGÉCO Inc.

Mr. Noel R. Bambrough
Cablecasting Limited

Mr. Douglas G. Bassett, O.C.
Baton Broadcasting Incorporated

The Honourable Perrin Beatty, P.C., M.P.
Minister of Communications

Mr. Guy Beauchamp
Télécâble Laurentien

Mr. Normand Beauchamp
MusiquePlus

Mr. Charles Bélanger
Télévision Quatre Saisons Inc.

Ms. Françoise Bertrand
Association for Tele-Education in Canada

Mr. Mario Bertrand
Télé-Métropole Inc.

Mr. Maurice Brisebois
Association of Canadian Advertisers Inc.

Mr. André Bureau
Astral Bellevue Communications Inc.

Mr. André Caron (rapporteur)

Mr. John Cassaday
CTV Television Network Ltd.

Mr. André Chagnon
Le Groupe Vidéotron Ltée

Ms. Micheline Charest
Canadian Film and Television Production Association

Mr. Yvon Chouinard
Power Broadcasting Inc.

Mr. Guy Coulombe
Consortium de télévision Québec Canada

Mr. Bruce Cowie
Sunwapta Broadcasting, a division of Electrohome Limited

Mr. A. Gordon Craig
The Sports Network

Mr. A. Stuart Craig
Manitoba Television Network

Mr. Pierre Desroches
Telefilm Canada

Mr. Ivan Fecan
Canadian Broadcasting Corporation

Mr. Cameron Fellman
Television Bureau of Canada

Mr. Jean Fortier
Association canadienne de la radio et de la télévision de langue française

Mr. John Foss
Association of Canadian Advertisers Inc.

Mr. Ken Fowler
Canadian Cable Television Association

Mr. Jacques Girard
Girard-Peters Task Force

Mr. Claude Godbout
Association des producteurs de films et de télévision du Québec

Mr. Guy Gougeon
Canadian Broadcasting Corporation

Mr. Alain Gourd
Department of Communications

Mr. Douglas M. Holtby
Western International Communications Ltd. (WIC)

Mr. John D. Hylton, Q.C.
Borden and Elliot

Mr. Peter Kruyt
Power Broadcasting Inc.

Mr. Robert Lantos
Alliance Communications Corporation

Mr. François-Pierre Le Scouarnec
Association des câblodistributeurs du Québec

Mr. Peter M. Liba
Canadian Association of Broadcasters

Mr. Philip B. Lind
Rogers Communications Inc.

Ms. Catherine MacQuarrie
Television Northern Canada

Mr. Michael McCabe
Canadian Association of Broadcasters

Mr. Michael McEwen
Canadian Broadcasting Corporation

Mr. William D. McGregor
C A P Communications, a division of Electrohome Limited

Mr. Randy L. Moffat
Moffat Communications Limited

Mr. Larry M. Nichols
New Brunswick Broadcasting Co. Ltd.

Mr. David Nostbakken
Vision TV

Mr. Ronald W. Osborne
Maclean Hunter Limited

Mr. Bernard Ostry
Association for Tele-Education in Canada

Ms. Joan Pennefather
National Film Board of Canada

Mr. J.R. (Ray) Peters, C.M.
Girard-Peters Task Force

Mr. Gilles Poulin
Radio Nord Inc.

Mr. Jean Pouliot
CFCF Inc.

Mr. Paul Racine
Department of Communications

Ms. Lorraine Richard
Association des producteurs de films et de télévision du Québec

Mr. Edward S. Rogers
Rogers Communications Inc.

Mr. Kevin M. Shea
YTV Canada Inc.

Mr. Fred Sherratt
CHUM Limited

Mr. Pierre Simon
Le Câble de Rivière-du-Loup Ltée

Mr. Keith Spicer (Observer at delegates' table)
Canadian Radio-television and Telecommunications Commission

Mr. C.W. (Bill) Stanley
Fundy Cable Ltd.

Mr. Ken Stein
Canadian Cable Television Association

Mr. Eldon D. Thompson
Telesat Canada

Mr. Gérard Veilleux
Canadian Broadcasting Corporation

Mr. Patrick Watson
Canadian Broadcasting Corporation

Ms. Sheelagh D. Whittaker
Canadian Satellite Communications Inc.

Mr. Moses Znaimer
MuchMusic Network

List of observers at the December 1991 Summit

Mr. Lindsay Allen
British Columbia Department of Economic Development, Small Business and Trade

Mr. Arnold Amber
Association of TV Producers and Directors

Mr. Perry Anglin
Department of Communications

Mr. Robert Armstrong
Telefilm Canada

Mr. Michel Arpin
MusiquePlus

Mr. James Baer
Consortium de télévision Québec Canada

Mr. Joseph Beaubien
Association Québécoise des distributeurs et exporteurs de film et de vidéo

Mr. Guy Beaudry
Le Groupe Vidéotron Ltée

Mr. Raynald Beaupré
Canal famille

Mr. Ronald Begley
Department of Communications

Mr. Jacques Bensimon
TVOntario

Ms. Anita Biguzs
Treasury Board Secretariat

Mr. Bud Bird, M.P.
Standing Committee on Communications and Culture

Mr. Jules Blais
Télé-Métropole Inc.

Mr. Jacques Bouchard
Regroupement des distributeurs de télévision du Québec

Mr. Serge Bouchard
Fédération nationale des communications

Mr. Michael Bourque
Office of the Minister of Communications

Mr. Stephen Boyd
Alberta Department of Technology, Research and Telecommunications

Mr. Len Bramson
First Choice

Mr. Bill Bruce
Saskatchewan Communications Network

Mr. Grant Buchanan
CITV

Mr. Michel Chamberland
Télé-Métropole Inc.

Mr. Wayne Charman
Canadian Radio-television and
Telecommunications Commission

Mr. Len Cochrane
Family Channel Inc.

Mr. John Coleman
Canadian Advertising Foundation

Mr. Stewart H. Coxford
Classic Communications Limited

Mr. Peter Crass
Northwest Territories Department of Culture
and Communications

Ms. Suzanne D'Amours
Association des producteurs de films et de
télévision du Québec

Ms. Aimée Danis
Les Productions du Verseau

Mr. Allan J. Darling
Canadian Radio-television and
Telecommunications Commission

Ms. Michelle d'Auray
National Film Board of Canada

Mr. Serge Demers
Union des Artistes

Ms. Maria De Rosa
Local Networks Convergence Committee

Mr. Yvon DesRochers
National Arts Centre

Ms. Lisa De Wilde
Heenan, Blaikie

Mr. Dwayne Dietrick
Monarch Communications

Mr. Michel Doyon
Canadian Broadcasting Corporation
Board of Directors

Mr. Jean-Claude Dubreuil
Alliance francophone pour la radiotélévision
publique

Ms. Hélène D. Dubuc
La Belle Vision Inc.

Ms. Marie-Christine Dufour
Office of the Minister of Communications

Ms. Elizabeth A.M. Duncan
Dartmouth Cable T.V. Limited

Mr. Jim Edwards, M.P.

Mr. R. Stephen Ellis
Ellis Enterprises

Mr. Robert Elsden
CFPL Broadcasting Limited

Mr. Glen Farrell
The Knowledge Network

Mr. Charles Feaver
Manitoba Telecommunications Policy Office

Mr. Bruce Findlay
Nova Scotia Department of Transportation
and Communications

Ms. Sheila Finestone, M.P.
Communications Critic – Liberal Party of Canada

Ms. Claudette Fortier
Union des Artistes

Ms. Michèle Fortin
Telefilm Canada

The Honourable Francis Fox, P.C.

Mr. Paul Gaffney
Canadian Broadcasting Corporation

Mr. Barry Gage
Maclean Hunter Cable TV

Mr. Joseph J. Garwood
Baton Broadcasting Incorporated

Mr. Richard Genin
Television Bureau of Canada, Inc.

Mr. Paul Gratton
Ontario Film Development Corporation

Mr. Harold Greenberg
Astral Bellevue Pathé Inc.

Mr. Luther Haave
Allarcom Pay Television Limited

Mr. Don Hamilton
Canadian Broadcasting Corporation Board of Directors

Mr. Steve Harris
Maclean Hunter

Mr. Michel Hétu
Copyright Board

Mr. Rodger Hone
CanWest Global Communications Corporation

Mr. Dan Iannuzzi
World Television Network/Le Réseau Télémonde Inc.

Mr. Hank Intven
Local Networks Convergence Committee

Mr. Gérald Janneteau
Le Réseau des Sports

Mr. Dan Johnson
Alliance Communications Corporation

Ms. Nancy Juneau
Canadian Broadcasting Corporation Board of Directors

Ms. Karen Junke
Federal – Provincial Relations Office/PCO

Mr. Peter Katadotis
Telefilm Canada

Mr. Ron Keast
VISION TV

Ms. Sue Knott
Telesat Canada

Ms. Sandra Kolber
Canadian Broadcasting Corporation Board of Directors

Mr. Peter Kretz
Canadian Broadcasting Corporation

Mr. Claude Laberge
Le Réseau des Sports

Mr. Denis Lacroix
Télé-Métropole Inc.

Mr. Richard Laferrière
Association des producteurs de films et de télévision du Québec

Mr. Denis Langlois
Radio-Saguenay

Mr. John Lewis
Canadian Broadcasting Corporation

Ms. Karen E. Lilley
Ontario Ministry of Culture and Communications

Mr. Peter Lyman
Advanced Broadcasting Systems of Canada Inc. (ABSOC)

Mr. Jacques Lyrette
Department of Communications

Mr. Gary A. Maavara
CTV Television Network Ltd.

Mr. Dean MacDonald
Cable Atlantic Inc.

Ms. Sandra Macdonald
Canadian Radio-television and Telecommunications Commission

Mr. Douglas B. Maund, Q.C.
Office of the Minister of Communications

Mr. Yves Mayrand
COGÉCO Inc.

Mr. Brian McCoy
Department of Finance

Ms. Elizabeth McDonald
Canadian Cable Television Association

Ms. Joanne McKenna
The Sports Network

Mr. Bruce McLeod
Alliance of Canadian Cinema, Television and Radio Artists

Mr. Michael McMillan
Atlantis Films

Ms. Trina McQueen
Canadian Broadcasting Corporation

Mr. Roman Melnyk
Canadian Broadcasting Corporation

Mr. Robert Ménard
Local Networks Convergence Committee

Mr. David Mintz
CanWest Global Communications Corporation

Mr. Bernard Montigny
Legris, Lefebvre & associés

Mr. Sylvio Morin
Fédération des communautés francophones et acadienne du Canada

Mr. Ian Morrison
Friends of Canadian Broadcasting

Mr. Peter Mortimer
Canadian Film and Television Production Association

Ms. Margit Nance
Margit Nance Productions

Mr. Bill Neville
Canadian Broadcasting Corporation
Board of Directors

Ms. Eleanor Olmsted
Nelvana Limited

Mr. Philip Palmer
Department of Communications

Ms. Lysline Parenteau
Association des câblodistributeurs du Québec

Mr. Michel Pauzé
Girard-Peters Task Force

Mr. Alain Pineau
Canadian Broadcasting Corporation

Mr. Alain Plante
COGÉCO Inc.

Mr. Roger Poirier
Canadian Cable Television Association

Mr. John A. Pollock
Electrohome Limited

Mr. Adrien Pouliot
Télévision Quatre Saisons Inc.

Mr. John Quigley
Department of Communications

Mr. Clément Richard
The Weather Network

Mr. John Riley
Family Channel Inc.

Ms. Elizabeth Roscoe
Canadian Cable Television Association

Mr. Mark Rubinstein
MuchMusic Network

Mr. Jack Ruttle
Power Broadcasting Inc.

Mr. Rob Scarth
Canadian Association of Broadcasters

Ms. Susan Scotti
Privy Council Office

Mr. Peter Senchuk
The Access Network

Mr. John Shewbridge
Canadian Broadcasting Corporation

Mr. Robert C. Short
Girard-Peters Task Force

Mr. Juris Silkans
CUC Broadcasting Limited

Mr. David Simpson
Consumers' Association of Canada

Mr. Guy Skipworth
Satellite Communications Association of Canada

Mr. Israel (Sruki) Switzer

Mr. Jim Thompson
The Sports Network

Mr. Michel Tremblay
Canadian Association of Broadcasters

Mr. Robert Trempe
Canadian Broadcasting Corporation

Ms. Micheline Vaillancourt
Canadian Broadcasting Corporation

Ms. Marie Vallée
Associations des consommateurs du Québec

Mr. Peter Viner
CanWest Global Communications Corporation

Mr. Ron Waters
MuchMusic Network

Ms. Lisa Wellman
representing the Communications Critic –
New Democratic Party of Canada

Ms. Cynthia White Thornley
Office of the Minister of Communications

Mr. Wendell Wilks
ATN

Ms. Susan Willet
YTV Canada Inc.